

Sustainability in tea industry: an indian perspective



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SUSTAINABILITY IN TEA INDUSTRY: An Indian Perspective Ashim Kr. Das

Introduction The tea Industry in India has a 170 years old history. The credit for creating India's vast tea empire goes to the British, who discovered tea in India. The East India Company after losing its monopoly in China in 1832 has taken up cultivation of Tea in India (Assam) in 1834. The first commercial batch of Tea ever produced outside of China came from Assam in 1839.

Since then, tea continues to be the most popular drink in India. From official conferences to railway station, tea (chai) remains the favorite hot beverage among Indians (almost 85% of the total households in the country consume about 81% of the total tea produced). 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. India is one of the world's largest producer and consumer of tea (Table 1 and 2), which accounting for 27 percent of the world production and around 12—13 percent of the world tea export. Tea export from India, estimated at Rs 17. 31 billion during FY 2006, accounting for 0. 4 percent of country's export in value terms, tea ranks as the fourth-largest agro export item from India. The industry employs around 1. 27 million at the plantation work and 2 million people indirectly of which 50 percent are women workers (second largest employer in the organized sector after Indian Railway). In, India, there are about 1700 processing units engaged in tea production; while around 1671 big (more than 100 hectares) planters with an output of 700-725 mkg. The estimated 0. 141 million small growers have an annual output of only around 237 mkg. India's large tea plantations are mostly concentrated in Assam and North-Bengal. Assam alone produces 51 percent of the national production. Tea production in India during 2007, declined by

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1. 2 percent to 944 mkg, in comparison with an increase of 1. 1 percent in 2006; but it is expected to increase to around 960 mkg in 2008. Besides, as an agro-based industry, the development of plantation industry has contributed greatly towards rural development and urbanization of remote hilly areas by optimum use of land, opening up road and other communication network in those areas. Recent developments In spite of its importance, tea industry of India is going through a crisis phase since 1990's. The industry has witnessed many structural changes during recent years, which include — emergence of small tea growers in place of large plantation and introduction of bought leaf factories (BLF). The present crisis has led to the closure of many tea estates (e. g., 20 estates in Kerala, 30 in West Bengal, about 70 in Assam have close down since the late 1990's). It is estimated that more than 60, 000 plantation workers have lost their jobs since 2002 and livelihood of another tens of thousands are threatened. Workers of the running estates are facing wage cut, tougher picking demand, job insecurity and the casualisation of work, appalling living and working condition etc. In early 2005 the tea industry witnessed major companies withdrawing from production and concentrating on the packaging/ retailing sector (e. g. Tata. Tea, HLL etc in India). They intend to focus on brand building business and on exploring the market substantially, rather than on the plantation business, which is a low margin segment. The tea industry in this country has some inherent weaknesses—due to poor yield arising out of poor condition of the gardens (more than 30 percent of the tea grown areas being above the economic threshold age limit), defective auction mechanism, old factory setup (which is affecting tea quality and price realization), poor garden management, frequent changes of

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garden management/managers, in-experienced owners (like traders who have no previous experience in tea cultivation and interest in plantation business) and the management's excessive reliance on bank-debts with negligible fresh equity infusion. In some of the gardens, the neglect has been due to ownership disputes and diversion of funds from tea gardens to other activities and in many cases strained relationship between management and garden workers (ICRA study 2007) have added fuel to the fire. In the market, the rising competition at domestic as well as international front has deepened the crisis of tea industry of India. The changing world order of last decade has left its own impact on the industry. The coming down of the Berlin wall and the disintegration of the former USSR have led to many changes in industry's export market. The first, second and the third world are moving towards free globalized economy, where free trade and free flow of investment funds are the order of the day. Consumers in the developed world are moving towards healthier products and quality assurance which put pressure on the export of tea from India. Shift in the composition of demand for tea in the importing countries has had unfavorable effects on export earnings from tea in India. The international market price of tea has declined from US \$ 2. 09 to US \$ 2. 03 per kg in between 2005 and 2006. Though countries like Sri Lanka, Kenya and Indonesia are growing fast in their export and higher price realization, during the same period. Export of tea from India to some of the major importing countries like Russia, UK, and USA are showing a sharp decline. (Table 3). Although, per capita consumption of tea in India is amongst the lowest (64 grams), but in volume terms India is the largest consumer. Since 1970, India has become the largest absolute consumer of tea after UK (Table 2). Larger domestic demand

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has given a new direction to the tea industry in the recent years. Major causes of the crisis Decline in demand for Indian tea in the global market The decade of 90's has been quite depressing for the Tea Industry in India (Asopa, 2007). The major cause of depression in the industry was the decline in the international demand of Indian tea. The traditional markets of Indian tea like USSR and UK have drastically reduced the import of tea from India. Changed global situations like disintegration of USSR, WTO agreement, globalization of markets across the nations, etc. have proved to be adverse to India. In the year 2004, India lost its eminent position of the largest producer of tea to China. Kenya has already taken over Sri Lanka in export pushing India to third position (Table 3). There is a fierce competition abroad. Indian tea has lost its competitive advantage to other countries on account of high cost and poor quality. However, one new development, i. e., India becoming the largest consumer of tea next to UK, has provided a lifeline to the tea industry (Table 2). While tea production of India grew by about 250 percent since 1947 (1947 production-255mkg and 2007 production-950mkg) but the rate of growth of export remained insignificant (Table-13). It appears that, India grow tea mainly for Indians. However, the exports of all other leading tea exporting countries have grown rapidly over the same period. The fact remains that whatever the size of the domestic demand (par capita consumption was 200grams in 1950, has increased to nearly 700grams in 2007), there is still sizeable surplus amounting between 180 and 200 million kg that needs to be sold (Asopa 2007). (b) Defects in auction system India's tea market is facing yet another paradox which could be explained in terms of glaring gulf between the price charged by dealers and retailers (Choudhury, 2006). A 2005 report for the International Labour Organization <https://assignbuster.com/sustainability-in-tea-industry-an-indian-perspective/>

(ILO) notes that the large tea companies are benefiting from fall in auction prices and rise in retail prices for tea. " This widening gap between consumer and auction prices.....is cutting into the margins realized by the tea producers but is not being passed on to the consumer in the form of lowered tea prices" (Goddard, 2005). Similarly a report by the Government of Assam published in 2004, found it " unfathomable that the retail price of tea has not come down with the fall of auction price. Certainly, the margins of intermediaries are far too high. Price paid to plantation and small tea growers has fallen since 1998, retail prices for tea have increased (Goddard, 2005). Average price for medium quality tea sold in Indian market increased from Rs. 85-90 per kg in 1999 to Rs. 120-140 per kg in 2005 and it continues to rise. In India, nearly 55 percent of total tea produce is sold through auction houses, with the rest sold through private sales. Even after the abolition of compulsory auction in 2001, the auction houses are very important constituent of tea marketing structure. The important feature of tea auction sale is that the producers/growers do not take part in the selling process directly. The brokers in the market (few in number who are registered brokers in specific auction center) sell tea on behalf of producers. Brokers generally do not accept bid from unknown buyers (Table 4). Many industry insiders also believe that the large buyers have co-operated on the auction floor to keep tea price low. An independent report commissioned by the Indian Government in 2002 also suggested a merging of interest between broker and buyers, as well as co-operation between buyers at auction houses, both of which prevented tea growers from fetching a fair price at auction. (Table 5) The large buying companies use their market power (as they have their own network of sales and marketing all over the

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country and export tea after blending) to push down price and take the advantage of depressed market to pay low prices; they are clearly benefiting from the current situation. Hindustan Lever, Tata Tea, Williamson Magor, etc. are such powerful buyers having enormous influence on the market and price of tea in India in general and Assam tea in particular. These big tea companies which are in monopolistic competition in consuming countries always try to stabilize prices (Asopa 2007) (Table 6). The longer transaction time and higher transaction cost (like warehousing charges, transportation cost, brokerage charges etc.) are some other problems with the auction system. It takes about 35 days for the entire transaction processes to complete. (c) Poor Price realizations The price of tea has been on long term decline while production costs have been rising, putting pressure on tea growers and working condition of labourers (Table 11). The decline in prices has been primarily due to growth in production in the face of sluggish demand (Table 7). Low prices for tea are generally passed on to the plantation workers in the form of low wages and withdrawal of basic facilities like food, health, education, etc. given that it is easier to cut cost by reducing labour cost (as the labour has weak bargaining power) than raising the price of tea (difficult in the competitive market economy) and in most of the cases producers have to remain competitive by lowering wages. Major causes of poor price realization are due to following reason: # Competition between producing countries for a share of the world market was one of the major causes of falling price of Indian tea. World production of tea is fairly diversified and not concentrated in a particular area. Presently 36 countries of the world produce tea and many of them are big producers. They prevent the establishment of a monopolistic leader in the world tea market to

ultimately allows fair and free competition in the market. # Demand for tea is rising very slowly (1.5-2 per cent), therefore the only way to increase market share of export by a country is at the expense of the competitors. # Because of the dominance of auction system as a day-to-day intermediary between producers and buyers, the actual producers have been unable to maintain direct contact with the ultimate customer of tea and thereby creating a long term relationship. # Tea is a perishable product. Its quality and flavour deteriorates very quickly. Therefore it is frequently necessary to cut prices to clear stocks. # Tea producers have to stay in market despite cut in prices of their produces as they have invested a huge sum of money; many people are dependent on it and lack of alternatives for them. # It is forecasted that tea production will increase over next few years, despite a slower growth in demand, a trend that can only undermine price of tea in the long run. The present decline in prices was on the back of a 0.6 percent annual increase in production during 1984—2005 is estimated at 2.8 percent (Table 7). In 2005 alone, surplus of export available over import requirement stands at about 24000 tones, a surplus of 2 percent. # There is a major shift in the consumption and thereby composition of demand for tea in the developed (importing) countries which has had unfavorable effects on aggregate export earnings from tea. The increasing use of tea bags and soluble instant tea effectively reduces the quantity of tea needed per cup and also raise the demand for plain cheaper tea. The tea bags accounts for 10 percent of the volume of world consumption—and it is still increasing. Factors which help to motivate consumption of instant tea include its ease of use as a cold drink and introduction of vending machines. These changes in the consumption patterns of tea have also significantly contributed to the

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decline in tea prices. (d) Defective market structure The tea value chain (Chart -1) comprises all the stages from green leaf production from the bushes to finished product and sale to the customers. Value is added to the tea leaves at each stages of the supply chain, each with associated cost (SOMO-2007). This includes the cost of plucking and sorting, factory packing, internal transportation, ware housing, sales changes (auction or direct sale), freight, insurance, interest, blending, packaging and retailers sales cost etc. In general most of the agricultural produces, value addition is done at the downstream in the higher processing and retail stages of supply chain—this is also true with tea. While tea is ready to drink item, the downstream stages such as blending, packing and ultimate marketing are the most profitable one. This part of the value chain is controlled by a handful multinational tea packers and brokers (SOMO 2007). Concentration is extremely high in the downstream of tea supply chain where 90 percent of western tea trade is controlled by 7 (seven) MNC's, 85 percent of world production is sold by these MNC's. (List -1) As a result, these MNCs can considerably influence world retail price. These are the indications that big companies have been influential in keeping world market price low, which affect the sustainability of tea industry. (e) Increase in cost of production While market prices for tea have been falling, the cost of production has been on the rise in India, putting downward pressure on profitability and income (Table 8). One factor which is closely related to the cost of production is, of course, productivity in terms of volume per hector which is affected by change in climate, soil fertility, age of the tea bush, high over-head cost, poor agricultural practices etc. The stagnation in productivity in many big estates is compounded by high land labour ratio. Productivity declined in India from 1996 to 2005 in the <https://assignbuster.com/sustainability-in-tea-industry-an-indian-perspective/>

large garden (Table 8). . Labour cost accounts for around half of the unit cost of production and approximately 55 to 75 percent of that labour cost is on plucking. High fuel cost, dilapidated infrastructure including transportation and unstable law and order situation in and around garden area etc. result in high cost of production (Table 9). Field and factory workers' productivity is also considered low in India. The impact of social cost (health, food, housing, water etc.) in the large estates in percentage terms works out to about 5-8 percent of the total costs. It implies an additional Rs. 4. 12 per kilo for manufactured tea in NE Region of India and Rs. 3. 44 per kilo in South India (SOMO-2007). Therefore it is assumed that around 80 percent of the cost of production goes towards fixed expenses like fuel, power and labour (Table 10). Inflationary pressures are now pushing up these fixed costs further. Labour unrest is another major problem faced by planter/estates. Looking into the profitability of the industry at the current price, does not provide the way to meet these costs. Rising costs and low productivity can have negative consequences on social and environmental aspects of production (sustainability problem), if these costs cannot be passed on to the ultimate buyer. Recommendations for improvement

Despite being the largest producer and consumer of tea, the Indian plantation sector lacks appropriate mapping of production and consumption levels. Due to absence of accurate estimates the formulation of long term industry wide action plans have been affected.

The fact which emerges from the present crisis is that Indian tea has not been globally competitive. It has concentrated more on building up its large estates and has given less attention to processing and improving the quality by proper blending and marketing—for higher price realization of their products.

Unlike its key competitors, India does not have any

powerful brand to support its promotion drive in the international market. To win back the confidence of lost foreign markets, Accentore (a global consultancy firm) has identified the need to revitalize the image of Indian tea in that international market. A vigorous campaign which include Indian tea logos and making Indian brands acceptable in those markets. Further, an inspection agency should be appointed to keep a quality check on the tea that is exported, as the study also recommended that a major thrust should be made to improve quality for the long term sustainability of tea industry of India. • Study done by the United Nations Food and Agriculture Organization (FAO, 2001) has suggested the need for reducing the unit cost of production through productivity gains, capacity building of small growers, streamlining marketing channels, improving infrastructure, tailoring marketing activities to individual country's demand, propagating health benefits of tea and promotion of organic tea using the tea mark. This is exactly what the domestic tea companies should do for their long term survival. • Improvement of supply chain management in side the country and global tea marketing network. • The tea industry in India has a legacy of corporate farming right from the day of British rule. The current situation in the sector has given ample reason for a rethink on whether corporate farming can really boost agriculture. Time has come when tea companies should sell out their large estates to farmers for cultivation, for ensuring more competitiveness and make the industry viable. This will reduce production costs also. In return big companies should enter into contract with tea growers by giving them technical and marketing support and all that is needed for backward and forward linkages. Indian farmers have done wonders by ushering in the green revolution and ensuring food security in <https://assignbuster.com/sustainability-in-tea-industry-an-indian-perspective/>

this country. They will replicate the same in the tea sector also. As it is observed, retail price of tea have not declined when prices at the local auction centers have fallen so dramatically since 1990's, noting the larger profit by the packers/retailers who are mostly at the end of the value chain. The issue here is the role played by these companies in their own plantation, implications of direct purchases by them from other growers and their relationship with brokers at the tea auctions, where price manipulation is widely suspected. These defects at the auction centers should be investigated and remedial measures like — bringing more transparency at the auction market; introduction of online auction practices for tea, etc. should be taken which will lead to changes in the structure of tea auctions to limit the manipulation by the big players in the industry. International brands like Liptons, Brooke Bond of HUL and Tetly tea of Tata Tea; etc are the market leaders and have great power in price determination in both domestic and international market. This needs to be stopped and proper investigation is needed to curb the wrong practices in the tea market by introducing new laws to regulate the price movements. It has been observed that the actual producer of tea has no direct link with the ultimate consumer. Tea producers sell their products to the bulk purchaser through direct sale or through auction 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 for long term sustainability of the industry. With the withdrawal of sales restriction, the growers can directly go to the market by building their own brand. As the margin of profit is very high at the present domestic retail market, Indian tea growers should invest and take this opportunity for the promotion of their brand at the retail market.

Fresh capital inflow is needed right at this moment for the tea industry of India. Investment in new plantations and production machineries must come immediately to compete in the international market. Since tea industry has to compete globally, it is necessary that they should have access to global capital at competitive rate. This can bring life to the industry and those who live on it, especially workers. Recognizing the fact that the tea industry's crisis in India has multiple causes, which require a variety of solutions—one of the most important steps from the government part shall be to introduce a stronger competition law to curb the misuse of corporate buying power and promote social objectives at the garden level. We believe that focusing on the role of the larger tea companies, which hold a great deal of power in Indian tea market can have a significant influence over conditions for workers on plantations and small growers. References Appendix Table 1:

Country	Production (metric ton)	World Share (%)	Export (metric ton)	World Share (%)
China	10280624	0.29	286594	0.18
India	955907	0.27	200866	0.13
Sri Lanka	310822	0.09	314915	0.20
Kenya	310607	0.09	313721	0.20
Turkey	142000	0.04	5500	0.00
Indonesia	140049	0.04	95339	0.06
Vietnam	132000	0.04	106000	0.07
Japan	99500	0.03	1681	0.00
Argentina	80000	0.02	70723	0.04
Bangladesh	53265	0.02	4794	0.00
Malawi	45010	0.01	41962	0.03
Uganda	36726	0.01	32699	0.02
Tanzania	31348	0.01	24132	0.02
Iran	20000	0.01	6000	0.00
Taiwan	19345	0.01	1962	0.00
Other	128157	0.04	64920	0.04
Total	3532800		1571808	

Source: SOMO based on annual bulletin of statistics 2007, ITC. & Tea Digest (2005-2006), Tea Board of India. Table2: Estimates of domestic

consumption of tea in India | Year | Domestic consumption | | |(in M kg) | |

1998 | 615 | | 1999 | 633 | | 2000 | 653 | | 2001 | 673 | | 2002 | 693 | | 2003 |

714 | | 2004 | 735 | | 2005 | 757 | | 2006 | 771 | | 2007 | 786 | | 2008 | 802 | |

2009 | 819 | | 2010 | 837 | Source: projected by IIM Kolkata. Table 3: Export

of Tea from India to different countries during 1998-2004 | Importing

countries | 1998 | 2004 | Export result | | |(Million tons) |(Million tons) | | | U K

| 21273 | 17606 | Decline | | France | 316 | 175 | Decline | | Germany | 5166 |

4777 | Decline | | Ireland | 2517 | 2356 | Decline | | Netherlands | 1939 | 2974

| Increase | | Poland | 9879 | 5104 | Decline | | USSR | 94582 | 48505 |

Decline | | Canada | 752 | 1204 | Increase | | USA | 3194 | 5781 | Increase | |

Saudi Arabia | 3780 | 699 | Decline | | UAE | 23040 | 24744 | Increase | | Iran |

1097 | 3272 | Increase | | Iraq | 10118 | 24732 | Increase | | Japan | 2911 |

2625 | Decline | | Pakistan | 1392 | 3526 | Increase | | Syria | NA | 2467 |

Increase | | Egypt | 6651 | 100 | Decline | | Sudan | 567 | 96 | Decline | |

Australia | 1218 | 4803 | Increase | | India's total export | 207639 | 179957 |

Decline | | World export | 1304896 | 1540001 | Increase | Source: Tea Board,

Tea Statistics, Kolkata & Annual Bulletin ITC, London. Table 4: The brokers

and their sale volume in the period 2001-02 in GTAC | Serial no. | Name of

Broker | Quantity (in kg) | Percentage (%) | | 1 | J. Thomas | 50696362. 2 | 35.

97 | | 2 | Carritt Moran | 32983252. 4 | 23. 40 | | 3 | Assam Tea Brokers |

8518041. 7 | 6. 04 | | 4 | Tea Brokers | 10201942. 5 | 7. 24 | | 5 | Contempory

Target | 11128275. 3 | 7. 89 | | 6 | Eastern Tea Brokers | 16978897. 7 | 12.

05 | | 7 | Associated Brokers | 2401961. 2 | 1. 70 | | 8 | A. W. Figgis |

1880548. 6 | 1. 33 | | 9 | Paramount | 6170385. 4 | 4. 38 | Source: Statistical

Cell, GTAC. Table 5: Price movement of Tea in GTAC (Price in Rs per kg) |

Period | C. T. C. | Orthodox | Dust | Total tea | | April- March | Avg. price | Avg.

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price | Avg. price | Avg. price | | 1996-1997 | 53. 71 | 55. 30 | 50. 81 | 52. 69 |
 | 1997-1998 | 77. 26 | 88. 10 | 75. 34 | 76. 67 | | 1998-1999 | 74. 42 | 71. 02 |
 69. 42 | 72. 72 | | 1999-2000 | 79. 51 | 76. 66 | 77. 99 | 79. 03 | | 2000-2001 |
 72. 51 | 67. 56 | 70. 83 | 71. 97 | | 2001-2002 | 65. 44 | 58. 48 | 58. 21 | 63.
 17 | | 2002-2003 | 65. 00 | 58. 50 | 61. 80 | 64. 04 | | 2003-2004 | 58. 56 | 53.
 87 | 57. 53 | 58. 24 | | 2004-2005 | 68. 84 | 74. 16 | 68. 48 | 68. 76 | | 2005-
 2006 | 61. 79 | 60. 71 | 59. 26 | 61. 07 | | 2006-2007 | 67. 75 | 80. 26 | 68. 63
 | 68. 06 | Source: Guwahati Tea Auction Centre Year Book 2006-2007,

Guwahati. Table 6: Big buyers in GTAC and their total intake of Tea | | 1994-
 1995 | 2000-2001 | | Name | | | | Quantity bought | %to total sale | Quantity
 bought | % to total sale | | (in kg) | | (in kg) | | | Brook Bond India Pvt Ltd |
 41568887. 8 | 30. 71 | | | | Lipton India Pvt Ltd | 25760464. 0 | 19. 04 | | | |
 Tata Tea Ltd | 6806003. 4 | 5. 03 | 7300531. 6 | 5. 15 | | Lipton India Export
 Ltd | 6276390. 6 | 4. 64 | | | | Bond Ltd | 2475752. 1 | 1. 83 | | | | D. Dayalbhai
 & Co. | 1865179. 2 | 1. 38 | 1642428. 2 | 1. 16 | | J. V. Goyal & Co. | 1554426.
 0 | 1. 15 | 2825516. 3 | 2. 01 | | Kesaria & Co. | 1256495. 5 | 0. 93 | 2.
 535576. 9 | 1. 76 | | Duncan Tea Co. | 1111586. 1 | 0. 82 | 1537565. 3 | 1. 09
 | | Harry & Co. | 1030586. 1 | 0. 76 | | | | Hindustan Lever Ltd | | | 30439099.
 4 | 21. 49 | | Purbanchal Enterprise | | | 3613866. 2 | 2. 55 | | Estern
 Enterprise | | | 2518274. 2 | 1. 78 | | Eastern Agency | | | 1386062. 0 | 0. 98 | |
 Kesaria Export | | | 1639871. 3 | 1. 16 | Source: Statistical Cell, GTAC,

Guwahati Table 7: World Supply and Demand (In million ton) | Year | World
 supply | World demand | Difference/Surplus | | 1990 | 2577. 10 | 2563. 87 | +
 13. 23 | | 2000 | 2933. 49 | 2881. 35 | + 52. 14 | | 2001 | 3061. 43 | 3002. 44 |
 + 58. 99 | | 2002 | 3086. 59 | 3015. 61 | + 70. 98 | | 2003 | 3216. 76 | 3151.
 71 | + 65. 05 | | 2004 | 3328. 65 | 3182. 05 | + 146. 60 | | 2005 | 3468. 29 |

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3362. 96 |+105. 33 | | 2006 (P) | 3577. 20 | 3438. 99 |+ 138. 21 | | 2007 (P) |
3726. 70 | 3620. 06 |+ 106. 64 | Source: Annual bulletin of statistics ITC

London. Table 8: Average yield of Tea in different countries (Yield in kg/

hectare) | Countries | Area under cultivation | Yield per hectare | | | 2000 |

2001 | 2002 | 2000 | 2001 | 2002 | | India | 504366 | 509770 | 511940 | 1679

| 1675 | 1614 | | Sri Lanka | 188971 | 188971 | 188971 | 1623 | 1568 | 1641 |

| Indonesia | 157488 | 160991 | 162000 | 999 | 1001 | 1025 | | Kenya |

122236 | 131581 | 132000 | 1933 | 2239 | 2175 | | China | 1089000 |

1140700 | 1155000 | 627 | 615 | 619 | | Myanmar | 68392 | 68392 | 68392 |

877 | 877 | 877 | Source: Mafatlal Securities Ltd. Mumbai Table 9: Cost of

production for made Tea in some producing countries in the year 2003 |

Producing countries | Cost of production (in USD/ kg) | | Sri Lanka | 1. 70 | |

India | 1. 53 | | Kenya | 1. 18 | | Malawi | 0. 99 | | Vietnam | 0. 85 | | Indonesia

| 0. 58 | Source: Estimated by SOMO, Tea Statistics ITA, Indian Tea Scenario

2004 Table 10: Cost of production in Rs per kg of green leaf of small growers

| Components of cost | Assam | West Bengal | Tripura | Nilgiris | Kerala | |

Inputs- Fertilizers/ Pesticides etc. | 1. 74 | 2. 12 | 1. 6 | 1. 78 | 1. 26 | | Wages

| 3. 58 | 2. 87 | 2. 73 | 2. 92 | 4. 54 | | Direct Expenses | 0. 15 | 0. 69 | 0. 32 |

0. 11 | 0. 19 | | Overheads | 0. 81 | 0. 64 | 0. 42 | 0. 52 | 0. 6 | | Total cost per

kg of green leaf | 6. 27 | 6. 32 | 5. 07 | 5. 33 | 6. 59 | | Average price

realization | 7. 41 | 5. 5 | 4. 54 | 4. 87 | 5. 35 | Source: Compiled report on

small tea growers (2005), Tea Board of India. Table 11: Quantity sold and

Average Price in GTAC | Period | Total quantity in m kg | Average price in Rs |

| 1996-97 | 147 | 52. 69 | | 1997-98 | 137 | 76. 67 | | 1998-99 | 147 | 72. 72 | |

1999-00 | 160 | 79. 03 | | 2000-01 | 142 | 71. 97 | | 2001-02 | 141 | 63. 17 | |

2002-03 | 125 | 64. 04 | | 2003-04 | 133 | 58. 24 | | 2004-05 | 129 | 68. 76 | |

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2005-06 | 141 | 61. 07 | | 2006-07 | 149 | 68. 06 | Source: Year book (2006-2007) by Guwahati Tea Auction Committee. Table 12: World tea export price for last few years (in US \$ per kg) | Countries | 1999 | 2000 | 2001 | | 1961 | 554 | 206 | 37. 18 | | 1971 | 667 | 202 | 30. 28 | | 1981 | 818 | 241 | 29. 46 | | 1991 | 1079 | 212 | 19. 65 | | 2001 | 1394 | 183 | 16. 82 | | 2005 | 1567. 20 | 199. 05 | 12. 70 | | 2006 | 1588. 79 | 218. 73 | 13. 77 | | 2007 | 1587. 20 | 178. 75 | 11. 26 | Source: Annual Bulletin of Statistics 2006, ITC, London [pic]