Tea Market in India: A Study

It's magic of the brew

Dear Members,

We are aware, the Chamber has clubbed the Council on Tea and Council on Jute into one and have made it Council on Tea and Jute. Tea & Jute are West Bengal's inherent and we are determined to work towards the common good of the sectors. Shri. Sanjay Rasiwasia, the Council Chairman, I am sure, will give efforts to this end. There is a lot of action going on in the sectors and changes are on the anvil. We have started with a knowledge report on tea and shortly we will come out with a knowledge report on Jute. Our main concern, the Darjeeling brew has been given greater attention. So let's take out some time to go through the report and storm our brains to come up with new suggestions for the governments.

Happy reading everyone.

Namit Bajoria
President, MCCI

Scope of the Report:

Type
Sector
Packaging
Processing
Application
Distribution Channel
Region

Breakup by Type:

Black
Green
Oolong
White
Others

Breakup by Packaging:

Plastic Containers
Loose Tea
Paper Boards
Aluminum Tins
Tea Bag
Others

Breakup by Sector:

Organised
Unorganised

Breakup by Processing:

CTC
Orthodox (Traditional)

Condition of Darjeeling Tea Gardens:

Tea tourism:

Tea promotion:

Residential
Commercial

- *The tea market in India is being driven by the healthy production and consumption of the beverage. The market is projected to grow at a CAGR of nearly 4.5% in the forecast period of 2023-2028.*
- *The market in the country is projected to witness a further growth in the forecast period of 2023-2028, growing at a CAGR of 4.2%. In 2026, the tea industry in India is expected to attain 1.40 million tons.*
- *India is the second largest producer of tea, globally, after China. The country is also a leading consumer of the beverage and accounted for nearly a fifth of the global consumption in 2016. India attained the highest exports of tea in 2017 in almost four and a half decade. However, the annual growth of the exports from the country was only moderate due to the high domestic consumption. Almost 80% of the total output in India is consumed domestically. The per capita consumption of the beverage in the country has witnessed a significant increase*

in the last decade.

- *North India is the leading region for the industry in India, accounting for over three-fourths of the industry. Assam is the major tea producing state in the country followed by West Bengal. According to the place of origin, Assam and Darjeeling types are globally the most recognised types of the beverage. South India accounts for nearly a fifth of the industry with the production concentrated in the Nilgiris. While the region has a significantly lower output than North India, the industry in the region is being driven by its production of premium varieties of superior quality. By types, black tea is the largest segment in the tea industry in India. Between 2008-2017, the black variety of the beverage witnessed a moderate annual growth of 3.3%. The consumers are increasingly choosing packaged over unpackaged varieties, due to the perceived superior quality of packed tea. Currently, nearly 80% of the households in urban India and almost 75% of the households in rural India prefer buying its packaged product types.*

Tea: Market Segmentation

Tea is usually made by the infusion of dried and crushed leaves of the tea plant in boiling water. Its most common types are:

On the basis of packaging, the market is segmented into:

Plastic Container
Loose Tea
Paper Boards
Aluminium Tins
Tea Bag
Others

By processing, the tea market can be bifurcated into:

CTC
Orthodox (traditional)

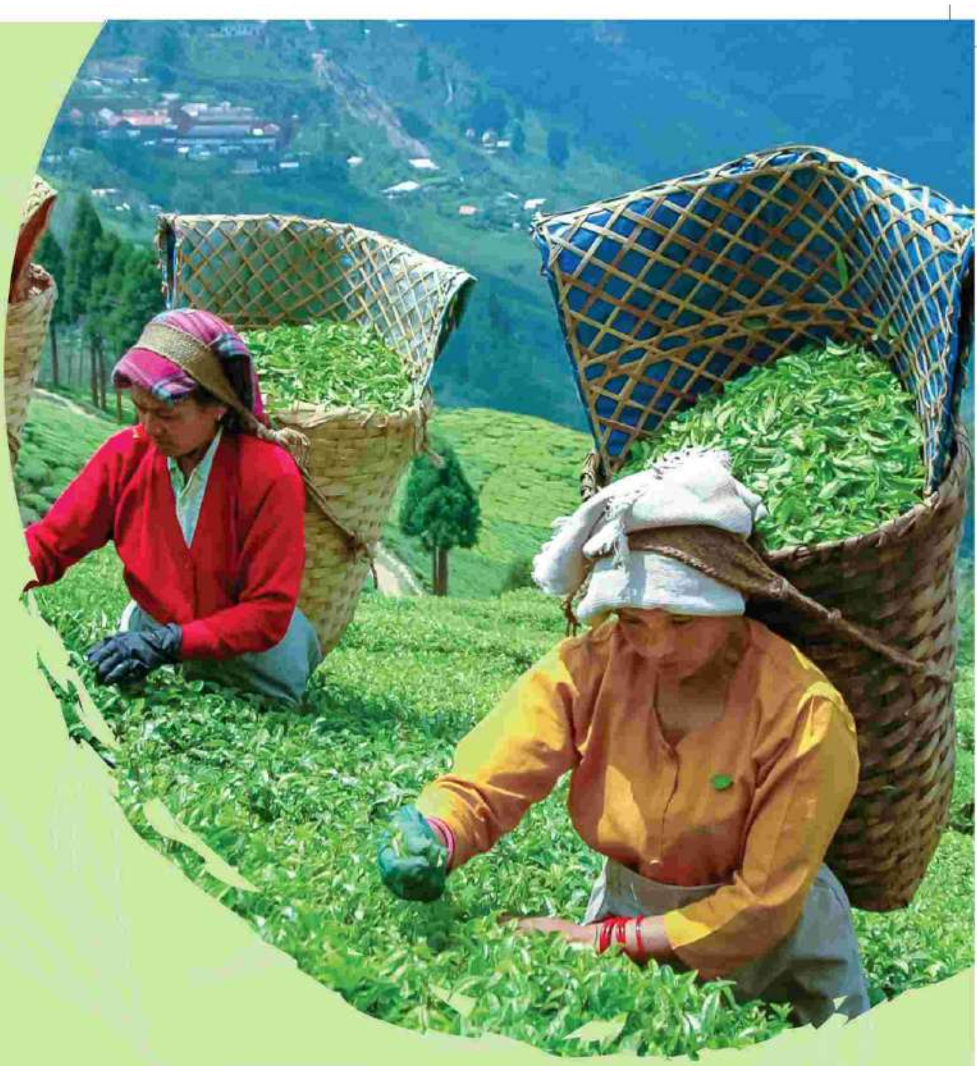
The market on the basis of application is divided into:

Residential
Commercial

Based on distribution channel, the market is categorised into:

Supermarkets and Hypermarkets
Convenience Stores
Speciality Stores
Online
Others

The report also looks in-depth into the various regional markets in India like North Region, East and Central Region, West Region, and South Region.



Protecting the Darjeeling Variety

High penetration of the beverage is driving tea industry in India across socio-economic classes. The country's healthy economic growth and the subsequent rise in the middle-class population are also proving to be catalysts for the industry's growth as the consumers are preferring premium brands. The rising demand for the packaged variety of the beverage in both urban and rural areas due to lesser chances of adulteration, convenient storage, and their superior quality is further aiding the tea industry in India. The demand for packaged varieties with natural ingredients is also witnessing a growth.

However, there are adulterations happening in the loose tea segment which is hitting Darjeeling tea the most. India has imposed restrictions on tea trade with Nepal, as duty-free exports of low-quality tea from the neighbouring country being blended with Darjeeling tea is hampering the latter's brand globally. The Union commerce ministry has brought in regulations to check the influx of cheaper tea from Nepal, while the Parliamentary Standing Committee on Commerce has recommended a review of the Indo-Nepal treaty to incorporate stringent requirements for a "certificate of origin" on tea imports from Nepal.

A large section of importers are passing on inferior Nepal tea as Darjeeling tea at much lower prices, causing huge financial loss to Darjeeling planters. Some local traders are also re-exporting the Nepal tea to global markets as Darjeeling tea. The premium authentic Darjeeling tea is also selling at a lower price in the global market as a result.

While the Tea Board of India says it has started acting on the commerce ministry's recommendations, small tea garden owners, mostly selling their product in auctions, say Nepal is still continuing to dump its tea in India.

The Revised Treaty of Trade between India and Nepal signed on October 2009 is valid up to 2023. It lets each party exempt, on a reciprocal basis, mutually decided primary products from basic customs duty and quantitative restrictions.

Tea is among such products eligible for preferential treatment. But exports of Indian tea attract a 40% import duty in Nepal, while tea imports from Nepal attract zero duty. This leads to unhampered and easy influx of substandard Nepal tea being sold and re-exported as premium Darjeeling tea, which is diluting the global brand image and affecting prices, the parliamentary panel said in its 171st report.

The panel has recommended setting up a robust administrative framework and import inspection regime, and establishing an NABL-accredited quality control lab in Darjeeling district to check each consignment of imported tea. The panel recommended an inspection by the Directorate General of Trade Remedies regarding the dumping of tea, while looking into the possibilities of an anti-dumping duty.

A Tea Board official said, the board has already formed a committee on the issue following a direction from the ministry of commerce and industry to draw and test samples at an NABL-accredited lab. This is to check if imported tea is FSSAI-compliant.

However, PK Bhattacharya, secretary general of the Tea Association of India (TAI) complained, only a few parameters were being checked.

The tea board has directed importers to inform it about the storage locations of imported tea within 24 hours so that the board may draw samples. "Importers will have to ensure that origin of imported tea is mentioned in all sale invoices or contracts and there is labelling and proper display of the origin of tea," the Tea Board official said.

The board has prohibited registered buyers from blending imported tea with Darjeeling, Kangra, Assam orthodox and Nilgiri orthodox teas, which have geographical indications (GI). Importers and exporters have to obtain a clearance certificate from the tea council portal before import or export of tea, the Tea Board official said.

Duty-free imports of Nepal tea have been on the rise. The fall in production of Darjeeling tea is matched by a corresponding rise in quantity of tea imported from Nepal. While the causes for diminishing production are multifarious, like changing climate, garden closures, excessive absenteeism among tea workers, unviable plantation and increasing cost of production, there is no denying that import of Nepal tea has caused the primary dent in the fortunes of the Darjeeling tea industry.

Experiments with tea

The middle class is also willing to experiment more with tea blends, thus, providing an impetus for the growth of segments like fruit, herbal, and other speciality varieties.

Green tea is expected to witness a robust growth in the coming years as its consumption is witnessing an increase as people become more aware of its health benefits. The industry for green tea is being driven by the urban population, supported by the increased intake of the beverage without milk in these areas. Thus, the rapid urbanisation along with the rise in disposable incomes in the country is further aiding the tea industry in India.

Vehicles of growth for Tea in India

The growing popularity of cafes/lounges primarily serving variations of the beverage is expected to drive the industry in the coming years. The convenience of its distribution channels like local 'kirana' stores and supermarkets, along with the growing online channel, will also aid the industry growth. With busier lifestyles and a growing workforce, the RTD (ready to drink) segment has the potential to witness a healthy increase as consumers seek more convenient foods and beverages. The industry will also be driven by the increasing innovation in packaging and flavours in the coming years. The rural sector presents another segment for the expansion of the industry.

The business of tea is undergoing a major change, with retail and online sales getting traction as packaging and branding become an integral part of it. This is enabling packaged tea to increase its market share, with it estimated to have reached around Rs 23,000-24,000 crore, capturing more than half of the Indian tea market, with around 1 billion kg tea consumption overall, according to market observers.

India produces around 1.3 billion kg and so far, bulk tea sales have been dominating the market. The bulk tea business is witnessing a falling trend this year, with around 38-39% of Assam tea of CTC and dust categories remaining unsold in the Kolkata, Siliguri, and Guwahati auction centres.

Although this is alarming, tea remaining in the pipeline is nothing new. Sometimes the quantum of unsold tea leaf was 28% and unsold tea increased 11%-12% in CTC and dust categories, says the Tea Board. But this is causing demand –supply mis-match .

Tea Quality

Uncertain weather conditions seem to have contributed to quality compromise of tea production to some extent. The year, when Assam receives scanty rainfall, tea production is not good in terms of quantity. But the year when there are heavy rains the quality of tea gets affected

On the other hand, the Darjeeling market has witnessed some face-lift in the estate-specific single-origin segment, for revival of tourism. Boutiques were helping in the promotion of orthodox single-estate origin tea. The concept of opening tea cafes and bars has been imbibed by tea brands in a big way, with specialised mocktails and snacks being offered with premium tea.

Tea and Wellness

New infusions and varieties of teas augmented with healthy herbs and spices like turmeric, ashawagandha and tulsi are becoming popular and working as immunity boosters. Discerning e-commerce customers, seeking innovation and diversity in products, were being offered premium teas added with immunity boosters. This has been able to catch up with the younger generation. Tea was at present being promoted as a drink in the wellness segment and foreign buyers were getting attracted to such a drink.

The wellness segment, at present is valued at $1.5 trillion with India's market share at 13.1%, a McKinsey study said.

The wellness segment in India grew by a CAGR of 12%, the report said. Post the Covid outbreak, a section of Darjeeling tea growers has been prompted to lobby to bring fusion tea under the aegis of the ministry of Ayush. The Centre has earmarked Rs 3,400 crore to undertake promotional activities.

But the overall Darjeeling tea industry was still suffering for want of investment though more and more gardens have started opening following good and quality-first flush quality texture, and many are trying out for speciality brew to move towards packaging and retailing from bulk sales. Retailing fetched more margin than bulk sales but it needed a new infrastructure to be created. He said although packaging, branding and retailing no more remained an MNC's play, especially in Darjeeling and Dooars, MNCs like Goodricke and the Tatas were moving up the value chain with innovation.

Industry players say, the present focus was on increasing the consumption of tea, as well as changing the consumption pattern. "Targeting the age group of 20-25, which is not a huge consumer of tea, would augur well in increasing the Indian market size. Offering fusion teas, linking tea to tourism, opening tea bars and boutiques by branded players and offering more estate-specific teas of single origin are some of the ways of promotion.

For capturing foreign markets, in a war scenario, government-to-government dialogues have become necessary and the Centre was acting on it, said a Tea Board official.

Tea Tourism and its impact

The government of West Bengal's decision to allow tea tourism and related real estate development on 15% of tea garden land has prompted a number of garden owners to hive off tea estates, though the workers' demand of conferring them rights of tea garden land has come in the way of such conversion.

Most of the workers have been staying in the gardens for generations, and they have demanded land rights on which they can arrange for home stays for tea tourism. "There is a conflict of interest among the tea garden owners and workers, due to which very little tea tourism is fructifying in the hills of Darjeeling,

While the state government has allowed 15% of the tea estate land to be developed for tea tourism, it has also announced that garden workers would be allowed to develop home stays in their respective houses. But garden workers have demanded a legislation to get land rights, which the state government is yet to work on. The West Bengal Industrial Development Corporation (WBIDC) framed the policy of allowing 15% land use inside tea gardens to develop tourism back in 2019.

While none of the large players that own gardens in Darjeeling are thinking in terms of hiving off their tea estates for tourism, single-garden owners — mainly small local players — are looking at opportunities for either direct sale of their estates, or roping in a partner to develop tea tourism, related real estate or tea tourism products.

A number of deals have taken place among small garden owners in the recent past, but resistance from garden workers are growing stronger.

There are around 377 tea estates in North Bengal with 26.4 million workers. Of this, 87 tea estates are in Darjeeling, 188 in Jalpaiguri and 102 in the Terai. The total tea production of tea estates was 163 million kg in FY22, against an annual average of 188 million kg.

The 28-member parliamentary standing committee on commerce has made a strong pitch for conferring land rights to tea garden workers of Darjeeling, Dooars and Terai regions, and has asked the Centre to make a legislation that confers land rights to workers. Although providing land rights to the workers come under the ambit of the state legislature, the Centre could intervene through legislation in the Parliament.

Government of West Bengal has already directed chief secretary, Sri HK Diwedi to bring about suitable amendments to laws to allow workers to set up home stays. But nothing in this regard has happened so far.

Some of the bigger and heritage tea gardens like Happy Valley, Glenburn, Margaret's, Singtom and others have opted for home stays and resorts inside the gardens but these are costly, beyond average visitors' affordability. These gardens have opened an additional channel for tea-tasting and sales of aromatic high-quality and high-value tea, generally sold in smaller volumes in global markets. Tea tourism has been sustaining under such models on a small scale. Although these home stays have been mainly looking for foreign tourist arrivals and have tied up with various operators across the globe to market their tourist products integrated with tea sales, foreign tourist arrivals in Darjeeling have not been up to the expected mark.

State of garden operations

Planters have been unable to run garden operations smoothly for lack of international buyers from Europe and Japan, who used to buy good volumes of Darjeeling tea. A liquidity crisis, high wages and falling tea prices are impacting the profitability of Darjeeling planters, forcing them to look for buyers. Recessionary pressure in Europe, a top export destination for Darjeeling tea, is keeping buyers away from the premium brew. Japan has reduced buying from Darjeeling since 2017, with agitation in the hills stopping estates' operations for four months. Japanese buyers never came back with full vigour since they were sceptical about supply issues. Increasing demand for orthodox black tea in the Iranian, Saudi and Turkish markets have offset the demand loss that has happened in the traditional European and Japanese markets. According to the commerce ministry estimates, there has been a 9-10% increase in value of exports in FY23.

Key Industry Players in the Tea Market

Tata Consumer Products Limited
Hindustan Unilever Limited
Wagh Bakri Tea Group
R. Twining and Company Limited.
Pataka Group of Companies
Marvel Group
The Bombay Burmah Trading Corporation. Ltd,
Assam Company India Limited
Ramesh Tea Traders
Amar Tea Pvt. Ltd
Rossell India Ltd.
Goodricke Group Limited
Others

By Indronil Roychowdhury, MCCI