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THE PROBLEMS AND PROSPECTS OF TEA INDUSTRY IN TAMILNADU -WITH SPECIAL REFERENCE TO THE NILGIRI DISTRICT

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ABSTRACT

The Indian tea industry is nearly 200 years old. Robert Bruce, a British national discovered tea plants growing in the upper Brahmaputra valley in Assam and adjoining areas. In 1838, Indian tea that was grown in Assam was sent to the UK for the first time, for public sale. Tea in India is grown primarily in Assam, West Bengal, Tamil Nadu and Kerala. Apart from this, it is also grown in small quantities in Karnataka, HP, Tripura, Uttaranchal, Arunachal Pradesh, Manipur, Sikkim and Meghalaya. India has a dual tea base, unlike most other tea exporting countries. Both CTC and Orthodox tea is produced in India. The tea industry is agro-based and labour intensive. It provides direct employment to over 1 million persons. Through its forward and backward linkages another 10 million persons derive their livelihood from tea. In Northeast India alone, the tea industry employs around 900,000 persons on permanent rolls. It is one of the largest employers of women amongst organized industries in India. Women constitute nearly 51% of the total workforce. The tea estates in the North Eastern India are located in industrially backward areas. Tea being the only organised industry in the private sector in this region, people outside the tea estates have high expectations from the industry.

The three most distinct known varieties of tea in India are:

- Assam tea (grown in Assam and other parts of NE India)
- Darjeeling tea (grown in Darjeeling and other parts of West Bengal)
- Nilgiri tea (grown in the Nilgiri hills of Tamil Nadu)

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INTRODUCTION

The Indian tea industry is nearly 200 years old. Robert Bruce, a British national discovered tea plants growing in the upper Brahmaputra valley in Assam and adjoining areas. In 1838, Indian tea that was grown in Assam was sent to the UK for the first time, for public sale.

Tea in India is grown primarily in Assam, West Bengal, Tamil Nadu and Kerala. Apart from this, it is also grown in small quantities in Karnataka, HP, Tripura, Uttaranchal, Arunachal Pradesh, Manipur, Sikkim and Meghalaya. India has a dual tea base, unlike most other tea exporting countries. Both CTC and Orthodox tea is produced in India. The tea industry is agro - based and labour intensive. It provides direct employment to over 1 million persons. Through its forward and backward linkages another 10 million persons derive their livelihood from tea. In Northeast India alone, the tea industry employs around 900,000 persons on permanent rolls. It is one

of the largest employers of women amongst organized industries in India. Women constitute nearly 51% of the total workforce. The tea estates in the North Eastern India are located in industrially backward areas. Tea being the only organised industry in the private sector in this region, people outside the tea estates have high expectations from the industry.

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The Indian tea industry

Indian tea has virtually lost all global markets because it continues to be traded as a commodity. The much talked about value addition is limited and rather late. Only the markets that have consumers with shallow pockets buy tea as a commodity and that share is fast depleting. The industry needs to be

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competitive in production, marketing, logistics and product forms. India, despite being a large producer of tea, lacks properly organized production systems in which small tea producers find a respectable place. The industry must have access to capital at globally competitive rates. The subsidies in any form are undesirable. The Indian tea industry must face the market realities, redefine its business strategies and reposition its products. The first step in that direction is a complete restructuring of the tea industry, redefining the roles of various agencies like the Tea Board and Producers' organizations, and developing a healthy partnership with the labour. There are the problems of market access and discriminatory treatments through non - tariff trade barriers such as maximum residual limits (MRL). Maximum residual limits (MRL) are a hot topic among the producers. MRL operates on every single agricultural product and not specifically for tea. The Indian tea industry is by and large quite sensitive to these limits.

Geographical distribution of tea

India's tea plantations can be largely grouped into two regions, North India and South India, occupying 77.68 per cent and 22.32 per cent respectively of the total area under tea in India. Assam and West Bengal are the important tea growing states accounting for 67.87 per cent and 27.84 per cent respectively of area under cultivation in North India. The remaining 4.29 per cent is located in Tripura, Bihar, Uttar Pradesh, Himachal Pradesh, Manipur, Sikkim, Arunachal Pradesh, Nagaland, Orissa and Meghalaya.

South India occupies 22.32 per cent of tea area (113199 hectares) and account for 24.16 per cent of output (204552 tonnes). In South India, Tamil Nadu, Kerala and Karnataka are the major tea growing states contributing 65.66, 32.48 and 1.86 per cent respectively. Karnataka occupies 0.42 per cent (2106 hectares) and Tamil Nadu occupies 14.66 per cent (74331 hectares) tea area of India.

TEA AREA as on 31-12-2014 & PRODUCTION IN 2014-15

State / Districts	Area under Tea (in Th.Hectares)	Production (Million Kgs)
Assam Valley	270.92	581.03
Cachar	33.48	48.02
Total Assam	304.40	629.05
Darjeeling	17.82	8.91
Dooars	72.92	177.85
Terai	49.70	125.34
Total West Bengal	140.44	312.10
Other North Indian States (Includes Tripura, Uttarakhand, Bihar, Manipur, Sikkim, Arunachal Pradesh, Himachal Pradesh, Nagaland, Meghalaya, Mizoram and Orissa)	12.29	23.92
TOTAL NORTH INDIA	457.13	965.07
Tamil Nadu	69.62	174.71
Kerala	35.01	63.48
Karnataka	2.22	5.52
TOTAL SOUTH INDIA	106.85	243.71
ALL TOTAL	563.98	1208.78

Statement of the problem

Tea plantation industry is an important industry in Tamilnadu. It plays crucial roles in income generation, foreign exchange earnings and employment generation both directly and indirectly. However, the overall performance of this industry is found to have been unimpressive. Since the market for tea is of

an international one, trade liberalisation is expected to have a substantial impact on this industry. Trade liberalisation and free import of tea, import of inferior quality of tea and re-export of it mixing with the traditional product have caused problems both in the domestic and international markets. As a result of opening up of the market for tea, there exists competition among producers at the international level. Competitiveness has become the key to success. Those units who are having the cost of production above the average international price will find difficult to continue to operate. In the case of Tamilnadu, most of the units are in this category. The employees are facing the major problem of insufficient wage rate compared to the living expenditure and they are found to be dissatisfied with poor working conditions. In sum the tea plantation industry is facing a crisis. In this context the present study attempts to examine the problems and prospects of tea plantation industry and proposes to undertake a detailed analysis of its growth performance in terms of trends in output, area and yield.

Objectives of the study

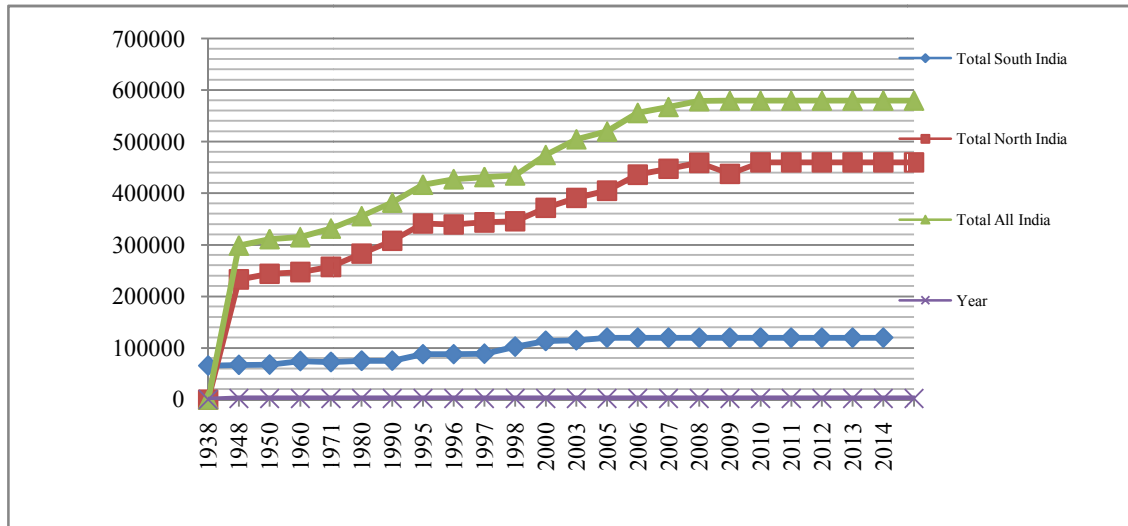
The overall objective of the study is to examine the problems and prospects of the tea plantation industry in Tamilnadu. The specific objectives are the following:

1. To examine the trends in growth of tea Industry in Tamilnadu in terms of area, production, export and productivity of Indian Tea Industry.
2. To ascertain the strengths, weaknesses, opportunities and threats of Indian Tea Industry
3. To study the problems and prospects of tea industry in Tamilnadu particularly in The Nilgiris.

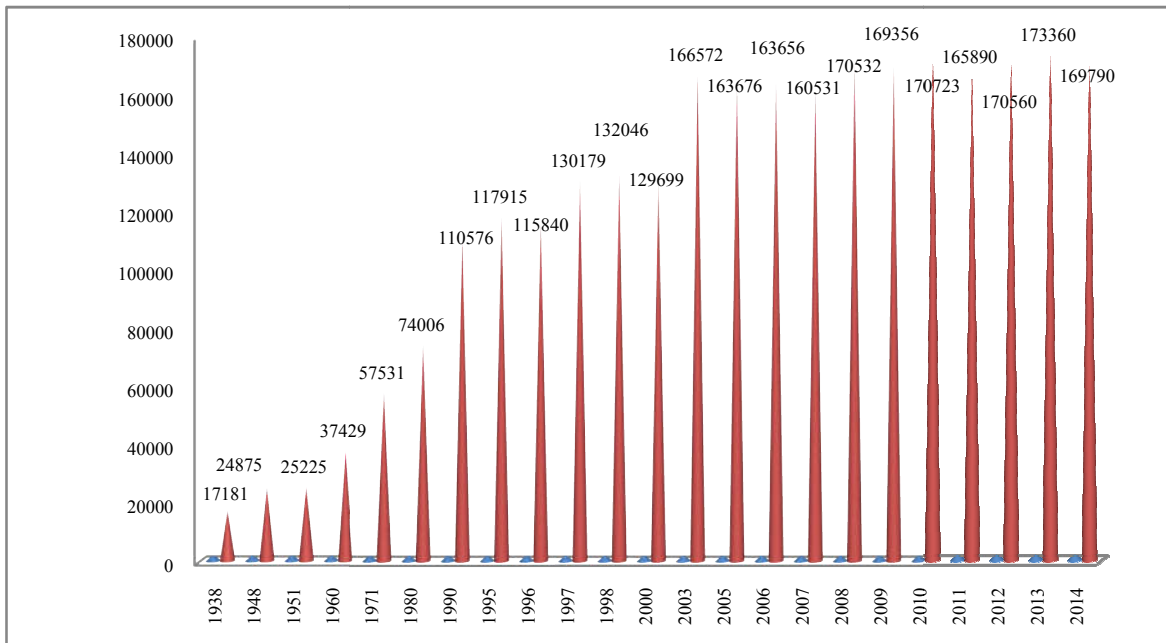
LITERATURE REVIEW

Tea Industries in the developing countries of Asia are facing huge competition due to inefficiency in the value chain management especially related to land management, plucking efficiency and manufacturing cost (Huque, 2007). Further, Asopa (2007) had implied that virtually, Indian tea has lost all global markets since it continues to be traded as a commodity besides the value addition is limited or can be said, late. It is only being sold in the markets of consumers with shallow pockets who still buy it as a commodity, but this share is fast depleting. Thus, the industry needs to be competitive in production, marketing, logistics and product forms. Despite being one of the largest producers of tea, India lacks properly organized production systems where small tea producers could manage to find a respectable place. The industry desperately needs capital at globally competitive rates and not subsidies in any form. So, the Indian Tea Industry needs to face the market realities, redefine its business strategies and reposition its products to gain a competitive edge over its competitors in the global market.

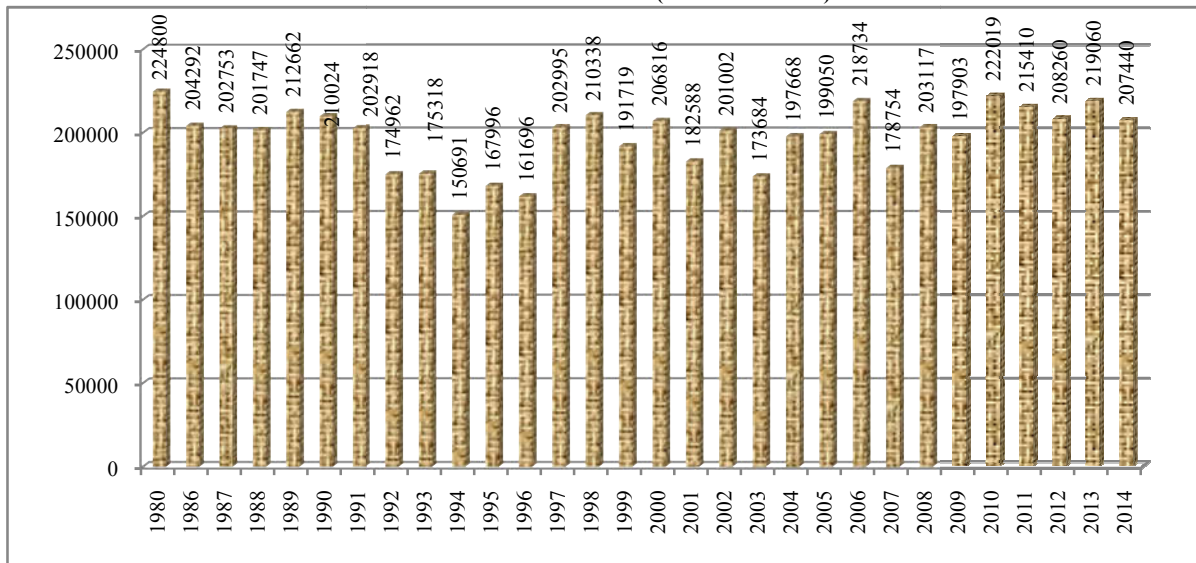
Later, Nagoor (2009) examined the performance of India's tea exports and figured out that tea, which was a major exportable commodity in India's agricultural exports, is declining steadily. The export performance over the last three decades shows that the percentage share of India's tea export in total world tea exports has declined drastically. During 1981-90, the share was 21.91%, which declined to 13.35% in 2001-2004.



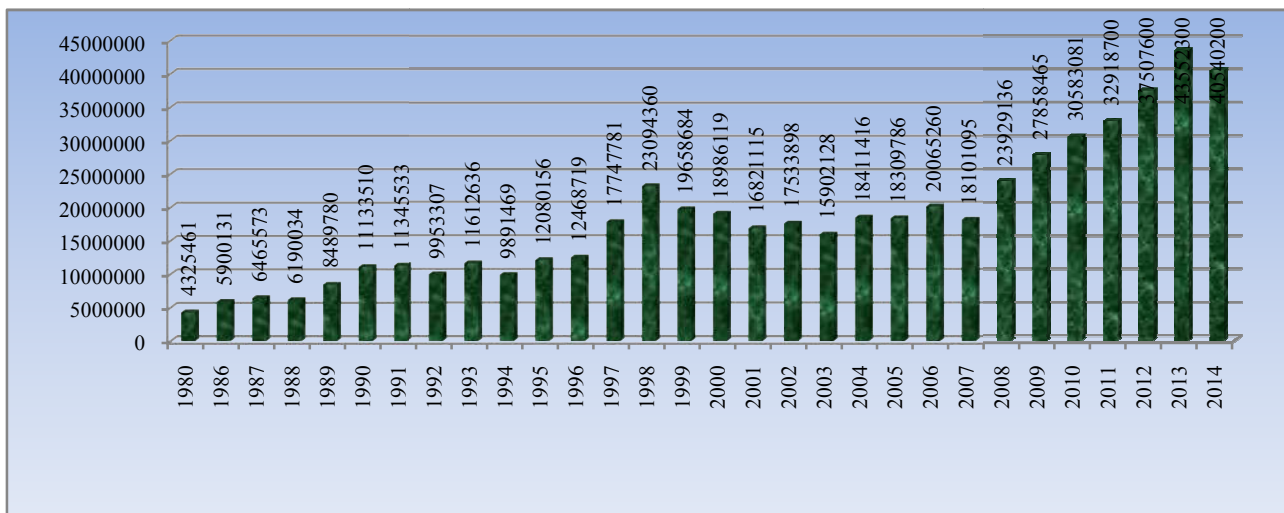
Area under Tea in India (In Hectare)



Tea Production In Tamilnadu (In Thousand K.G)



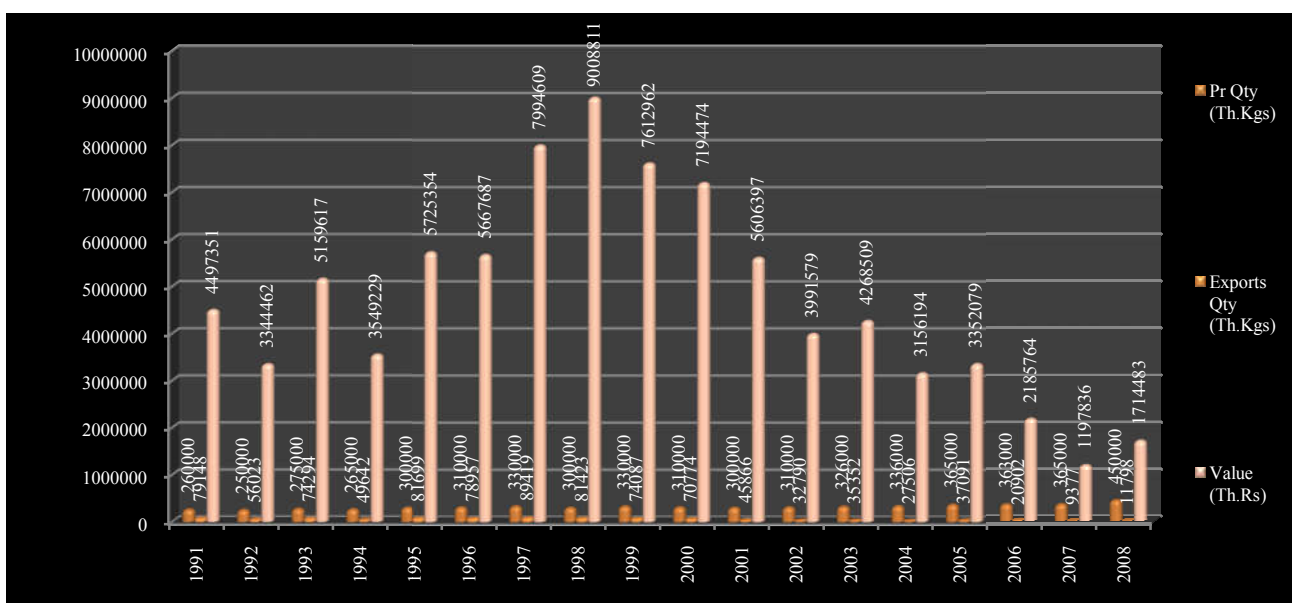
Export of Tea from India (In Thousand K.G)



Export of Tea from India (In Thousand Rs)



Import of Tea From India



Export of Pocket Tea From India

The decade of the nineties and beginning of the twenty first century has been quite depressing for the tea industry in India. As far as the exports are concerned, Indian Tea Industry still faces diminishing trends. In 2009, tea exports decreased by 11.6 million kgs, that is by 5.7% as compared to 2008. In 2009, India exported 191.5 million kgs of tea whereas it exported 203.1 million kgs in the previous year. Tea exports to Iraq increased significantly in 2009 but tea export to UK, Iran, UAE and Egypt saw the same diminishing trend (Hussain & Hazarika, 2010). Almost 20% of the tea produced in 2009, 973 million kg, was exported. Over the years, Indian Tea Industry has experienced a shift in the proportion of export to domestic consumption of the total tea produced in the country, with domestic consumption far more than exports. Changing consumer tastes and preferences in the export market has led to the drop in exports for which the main reason is the increasing popularity of green tea as well as orthodox tea (Ramakrishnan, 2010).

Research Design - Selection of Sample Respondents

The total Tea stakeholders in The Nilgiris District are more in number. During the data collection, it seemed to be conditional to meet all the exporters because some of those are not cooperative for the study and thus it made to go for sampling method. A sample of 400 respondents has been determined as per and those respondents were contacted by adopting convenience sampling method.

Table 1 Selection of Sample Respondents

S.No	Category of Sample Respondents	Taluku in Ooty District				Total
		Kothagiri	Ooty	Coonoor	Gudalur	
1	Small Tea Exporter	12	11	12	15	50
2	Medium and Large Exporter	13	12	11	14	50
	Total	25	23	23	29	100

SWOT Analysis – The Nilgiris Tea Industry

Strengths

1. The diverse agro - climatic conditions prevailing in the tea growing areas of India lend themselves to the production of a wide range of teas – black, (CTC, orthodox), green teas and organic teas.
2. A one - stop - shop for high quality specialty teas e.g. Orthodox, high range Nilgiris, etc.
3. Strong production base with 75 per cent of the production being accounted for by modernize sector covering 1,600 gardens owned by nearly 1,100 entities.
4. Competent managerial manpower.
5. Strong research backing from well established research institutions.
6. Availability of modernized and upgraded manufacturing facilities.
7. Labour welfare laws protecting workmen.
8. Emerging small grower sector with young plantation profiles.
9. Availability of training facilities for plantation managers, supervisory staff and workers for continuous upgradation of their skills.

Weaknesses

1. Old age of the tea bushes – nearly 38 per cent have crossed the economic threshold age limit of 50 years and another 10 per cent on the verge of crossing this limit shortly.
2. High cost of production mainly due to low productivity, high energy cost and high social cost burden.
3. Diminishing availability of workforce particularly in South India.
4. Remote location of the plantations and transportation of teas over long distances from tea gardens to sale points.
5. Poor infrastructure – approach roads to gardens, inadequate warehousing at ports, constrained availability of containers, placements of vessels and high ocean freight charges (due to feeder–mother vessel transfers).
6. Difficulties in introduction of mechanization of field operations due to topographical and quality limitations.
7. Unorganized nature of small growers with fragmented small and scattered holdings leading to production of poor quality teas mainly due to non - availability of technical know - how at the doorstep –weak extension service.
8. Lack of quality monitoring mechanism for teas particularly sold through private sales.

Opportunities

1. Good awareness level world over as to the health attributes of tea leading to growing demand for good quality teas and specialty teas such as organic teas, green teas.
2. Narrowing down of the gap between supply and demand due to increased growth rate of
3. consumption in the major producing countries.
4. Producing countries reaching an agreement for forming an exclusive forum for resolving their differences over common issues.
5. Positive response by the tea industry responding to the Government towards renovation of fields and processing factories. (Special purpose tea fund and quality upgradation initiative).

Threats

1. Round - the - year production in countries such as Sri Lanka, Vietnam.
2. Low cost of production of teas from Kenya, Vietnam and Indonesia etc.
3. Younger age of bushes (better quality of tea) of other producing countries.
4. Consistency in quality commitment and high service quality perception of a exporters of other countries.
5. Better developed packaging and bagging capacity of Sri Lanka.

Problems of Nilgiri Tea Industry

Viewed from long-term perspectives, The Nilgiri Tea Industry has several problems that are directly affecting both production

and productivity. The following are some of the important problems.

- Old age of tea bushes – Nearly 40 per cent of present tea plants in India have exceeded the economic threshold age limit of 40 years. This has been affecting productivity.
- Limited availability of land for extension in traditional areas of tea cultivation.
- Slower pace of replantation, the rate of replantation is less than 0.4 per cent as against the desired level of 2 per cent
- Fluctuations in tea prices.
- Higher rate of taxation on income from tea.
- The dual structure (agriculture and industry) of Tea Industry has resulted in the incidence of high taxes, some of which are not applicable to non-plantation agriculture.
- Stiff competition from soft drinks is needed to position tea as a health drink.
- Poor drainage and lack of irrigation when needed greatly reduces yield.
- There is considerable gap between potential and current tea yields.
- Low productivity and high cost of production on account of high input cost particularly wages and the social benefits that always with wages, reduce attractiveness of tea production.
- Untrammled growth of small growers and poor adherence to quality production norms.

Recommendations

1. There is a great deal of dissension among corporate leaders in the Indian tea industry. All kinds of prescriptions are being advanced and most of them depend on the Government action and support. On the other hand, this is the time for the Government to play only a supporting role and withdraw from all other activities as they affect the tea industry except in as much as they relate to small farmers.
2. Investments in plantations and manufacturing machines must come from the industry without any subsidy from the Government. Since the industry has to compete globally, it is necessary that they have access to capital at globally competitive interest rates. The subsidies have always been a stumbling block in developing competitive industries.
3. The reforms in lending policies of the banks are as urgent as reforms elsewhere in the economy. The tea plantation sector needs huge infusion of capital. The banks can not shy away from their responsibility to bear the risk involved. The cost of capital has to be globally compatible.
4. The Government will have to hold the hands of the small scale tea producers until they can be organized on efficient lines. A beginning is yet to be made in that direction. On the whole, the small scale tea producer has been benignly neglected thus far.
5. The global competitiveness is rooted in quality at an affordable cost. This is an issue which involves and directly affects the industry. The industry will have to tackle this at their level as well as at the level of the

individual firms. It is easier to say make good quality but there have to be buyers to pay for that. These are commercial decisions which only the individual firms can make. The government has no role in that.

6. Every firm will have to build and control its supply chain that is cost effective and manageable.
7. The market for value added teas is already crowded and it is a bit late for India to hope to make big impact on that. Nevertheless, efforts should be made in that direction in the hope that some dent can be made.
8. The bilateral agreements are mostly ending, the markets for tea in commodity forms are shrinking, Countries are exercising their option to purchase tea from wherever it suits them best in terms of quality and pricing, and the other global producers are keenly eyeing the Indian market.
9. As and when the Indian market opens for unrestricted tea imports, the Indian producers would further suffer. Perhaps traders would shift from export business to import business leaving producers in lurch and the Government fire fighting routinely.

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