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SUGGESTIONS AND RECOMMENDATIONS

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Suggestions and Recommendations

10.1 Introduction

India is the world’s largest producer, consumer and exporter of black tea. It is the only country, which manufactures both CTC and Orthodox Tea in substantial quantities. Although India is one of the largest exporters, the export of tea depends on the quantity of tea produced in excess of domestic consumption.

A number of countries have entered the tea market in order to break India’s monopoly and they have been successful in doing so. Kenya, Indonesia, China and recently Bangladesh have been responsible for throttling Indian exports to some extent. The decrease in tea consumption in major importing countries has led to excess supply of tea in the international market as a result of which prices were pushed down. In fact international prices have declined for some time and currently lower than those in the domestic market. Countries like Kenya, with little or no domestic consumption are dumping their tea in the International market.

With the emergence of cheaper varieties of tea from these countries, India’s bulk tea exports to outer markets declined. However, the quality tea of Darjeeling is still being well accepted in the International market. Presently more than 110 countries in the world import tea. India exports tea to about 94 countries. In a liberalisation move to boost exports of tea from India, the
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Government of India had abolished the provision of registration of contracts. The government has also changed the provision for annual replacement of export license from every year to once in three years. The government has also removed the requirements of prior approval of tea package design by the tea board.

Thus, following are certain suggestions and recommendations for the purpose of wellbeing of the industry as well as the parties involved in the industry such as regulatory and development authority of tea like Government, Tea Board of India, and Research Associations, Tea Exporters and Tea Growers.

10.2 General Suggestion

By adopting scientific techniques in agriculture and using high yielding varieties of seed, the output of agricultural products having export potential can be increased. Further this output must be exported instead of being consumed in the domestic market. Export markets should never be sacrificed for the domestic markets. If necessary, imports should be resorted to make up for any short fall in production for exporting.

1. Increasing the area, production and productivity by bringing new land under cultivation of tea.

2. Research and development efforts must be increased for development of diseases and pest resistant and high yielding varieties of the tea to bring in stability of production.
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3. Providing adequate financial assistance to growers for meeting the needs of input fertilizers, pest management and for processing to enable exporters to complete with other producing countries.

4. Encouraging cultivation of tea in non-traditional areas. Many regions in Uttar Pradesh, like Kumaon, Doon Valley and Garhwal Hills are being brought under cultivation. Not only has that but the suffering tea industry in Assam been helped by the tea security force to counter the Bodo and ULFA threats. The government has also given a boost to the Kangra Valley green for the export market.

5. To encourage small tea growers, large efficient co-operation can be attracted to perform the export marketing functions and procuring supplies on a contract basis. They can handle large quantities efficiently and economically using modern methods of grading, packing, storage and transportation. They can assure better prices to the grower, provide them technical and other assistance to produce for the export markets. They are in a position to predict sully to maintain prices at stable levels.

6. The Indian corporate sector has the capabilities and skills necessary to integrate production and marketing for e.g. Tata Tea. They have the resources for forging an international market. Similarly the co-operative sector may also be attracted to undertake the production and marketing of tea export.

7. To reassess the plant quality, improve the tea quality, improve the plucking methods and increase productivity.
8. The industry associations should strategically tackle the import intensity in the domestic market.

9. Post-production cost is high due to duties on packing material and transport, freight rates, which are much higher from India. But to be competitive in world market we need to produce teas that the importing country needs.

10. Sri Lanka which mainly produces Orthodox tea is entirely export oriented/dependent and caters to orthodox market such as CIS, Middle East and Europe. On the other hand, Kenya, which is also entirely export oriented produce CTC for the Pakistan, U.K. and Egypt markets. India which can produce both CTC and Orthodox teas is at present produce CTC in large quantities.

11. Its domestic market, which is almost entirely for CTC teas, determines the manufacturing policy. As a result we produce less and less orthodox teas. Thus we have lost orthodox market such as CIS and to some extent Middle East. India therefore needs to concentrate on its strength that is producing better quality CTC teas.

12. Organic farming for increasing export of tea.

13. Aggressive expansion of tea in European continent.

14. Maximum tea exports and to regain the first position in the export of tea in the world.

15. Protecting and strengthening India’s position in existing market through marketing and promotion cost reduction and quality improvement.
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16. Ensuring adequate supply to meet the demands of the world market through proper crops management practices.

17. Diversifying the market and looking for new markets.

18. Developing value added products of tea and finding new uses for the different tea in order to create new demand for them.

19. Upgrading and marketing existing products to match the stringent quality standard laid down by other countries and the agreement on SPS under WTO.

20. Increasing production to generate an exportable surplus.

21. Introducing better technology to increase productivity, reducing cost and ensuring quality competitiveness of tea.

22. Providing the infrastructure facilities for post harvest handling, storage and physical distribution of the tea.

23. Providing financial support to growers and fiscal support to processors and exporters until the tea exports from India achieve competitiveness.

Thus, following are certain suggestions and recommendations for the purpose of wellbeing of the industry as well as the parties’ involved in the industry such as -----
10.3 Specific suggestions

10.3.1 Suggestions to regulatory and development authorities of tea like Government, Tea Board of India, and Research Associations

1. Government should set up and empower an action oriented tea export group comprising of key Government (Tea Board, Commerce Ministry, and RBI etc.), key tea exporters and representative of producing associations to pull together a comprehensive action plan and fully enabling this group to guide its implementation.

2. State governments also have an important role in helping tea manufacturers and gardens to reduce cost of production through a more constructive approach to labour issues, particularly on wages fixation, input costs such as power and fuel, concessional sales tax.

3. More work must be done to communicate the various attributes of the different specialty teas from India either directly, through the Tea Board, or in conjunction with co-operative marketing programs with important importers of India.

4. Government should stop all the low quality imports into the country and make it mandatory to demarcate on every exported consignment of tea, the percentage of Indian tea. The product/tea boxes have to be marked as Indian tea only if it contains 100 percent tea of Indian.

5. Government and Tea Board of India should provide incentives to boost orthodox tea production.
6. The government should put in place clear guidelines on how to determine origin and enforce the same. The dominant components of the export consignment should mention whether the exports were grown, manufactured and processed within India.

7. To ensure true quality the Government should mandate a quality control and pre-inspection procedure of export consignment.

8. Loans should be given to the producers at a lower rate of interest to replace old machineries and for new plantation.

9. On-line trading (export of tea) should be encouraged.

10. The attention of the budget, particularly on rejuvenation is a step in the right direction.

11. Development of Corporate and strengthening the existing corporate to meet the challenges of globalization is the essence of this model. This also includes the FDI route to development.

12. A larger offering through the auctions can create more centralized demand and thus shore up the tea prices.

13. Tea Board India and Pesticide Board of India should formulate strict measures so that tea having high pesticide residue should not be exported.

14. In India a substantial amount of tea comes from small tea growers. The quality of raw material provided by them is of poor standard. The regulatory authority should formulate strict measures so that these teas should not enter into the market.
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15. Current agriculture and marketing practices need to be examined in view of the new health regulation in importing countries.

16. Tea producing countries have to develop strategies regarding international policy on SPS, national policy, research and development, technology training and information. They are required to obtain all relevant scientific and technical information on the risk assessment methods used in other countries and regulations likely to be imposed in other countries.

17. Providing the infrastructure facilities for post harvest handling, storage and physical distribution of the tea.

18. Providing financial support to growers and fiscal support to processors and exporters until the tea exports from India achieve competitiveness.

19. Adequate facilities should be provided for warehousing and transportations so the quality of tea can be maintained.

10.3.2 Suggestions to tea exporters

1. Tea has so much going for it that it will always command the attention of consumers but in the face of heavy competitive spending and limited funds to promote the benefits of tea, the industry needs to take creative approaches to boost awareness and consumption.

2. In all cases targeted print campaigns in important tea consuming section of the country, will likely prove the most affordable and most effective. Eventually, a more aggressive form of advertising and sampling program may be possible.
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3. To protect the goodwill of Darjeeling teas government has registered the patent of Darjeeling Name and Logo.

4. Advertisement on tea should be given thrust with special emphasis to reach the younger generation.

5. Value added exports as packets, polypacks and tea bags would be the real option for the future for merchant exporters.

6. Attention should be given to brand building and brand marketing.

7. The beneficial effects of tea on human health have been well documented and we need to emphasize this aspect in our campaign for generic promotion.

8. Open more Tea Bars to increase export and tea culture abroad.


10. Create origin awareness for Indian tea.

11. Tea should be promoted as health drink rather than a refreshing and reviving drink.

10.3.3 Suggestions to tea growers

1. The work culture should be taught to workers. For this considerable amount of expenditure should be earmarked for training and development of workers.

2. Bring down the cost of production and improving the workers productivity through various reforms. The system is operating on age
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old practices formulated by Britishers. It’s time to carry out restructuring process.

3. Industry should adopt advanced plantation management practices/new technologies.

4. Increasing the workers productivity through labour reforms.

5. The industry should adopt advance management practices and new available technologies and cost of production should be brought down.

6. Labours should be made to understand the fact that teas are made in the field and that it is in their hands to give the company the best quality and quantity teas, which would ultimately reflect in the labourer identifying themselves with increased productivity and aspiring to take up more and more responsibility involving higher commitment and loyalty.

7. It is important that the industry speaks in one voice. The tendency to point fingers at others is sifting the system. It needs to be recognized by all players that every participant in the tea industry and trade is indispensable. Unity is the need of the hour and this industry will survive only if it works cohesively.

8. The problems in Darjeeling tea industry is a declining production, where the tea areas are getting old and is not being replaced due to financial constraints and brand awareness of Darjeeling tea has not been created worldwide.
10.4 General recommendations

1. Identifying tea variety having high quality and production potential like Darjeeling tea and promoting their cultivation and production exclusively for exports.

2. Creating export oriented captive forms under the corporate sector, co-operative sector or export oriented unit as envisaged in the EXIM policy 2002. This will help to retain India’s presence in the International market.

3. Single estates can form local consortiums (one in Nilgiris has been working very well) to promote and negotiate long term deals. The estates will need to adopt GMP (Good Management Practices) and HACCP and be ready to be regularly audited by the buyers for quality, factory hygiene and for meeting the stringent pesticide residue norms introduced by the European Union and some other countries.

4. Another unique possibility that has been practically demonstrated is the development of a tea wine (patents in place) which can come niche markets.

5. Value added exports as packets, polypacks and tea bags would be the real option for the future for merchant exporters.

6. Pakistan is a very big importer of tea but share of Indian tea is minimal. Though the share of Indian tea has increased to 2.5 percent in the year 2001 from 0.6 percent in year 2000, due to instability in the trade and political relationship between both the countries, it remains an unattractive destination for Indian products.
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7. There is need for resources to increase the market share in Hong Kong, Netherlands, UK, USA, Canada, Japan and Germany. Although Indian tea has low market share in these countries, the recent spurt in growth of tea consumption from India would ensure a substantial market share for the Indian tea in the near future.

8. Though USA has been a stagnant market for India for the last 3 years, it still has immense potential. The market has a huge requirement and if investments are done, Indian tea industry can do very well in this market. Argentina is leading the market, leader China is the second followed by India and Sri Lanka. India is competing with Sri Lanka in this market and needs to take steps to consolidate or maintain its position.

9. Poland, where Indian tea industry has a good market share is mainly a CTC market. The market thus needs investment in order to sustain the market share. Indian tea exporters should be willing to invest in the market from the profit being generated from the Russian market.

10. UAE, Iraq and Kazakhstan would be the thrust markets for the Indian tea industry. The strategy for this market should be that the industry should try to retain business in these countries as well as try to make offering more attractive so that it could maintain the position.
10.5 Specific Recommendations

10.5.1 Recommendations to regulatory and development authorities of Tea like Government, Tea Board of India, and Research Associations

1. DEPB scheme, additional excise duties, transport subsidies, export subsidies to boost tea export should be part of a strategic export plan consistent with WTO measure and not just short term tactical solution to prop up export.

2. Tea is as basic as a grocery product as salt, rice and dal which have been classified either in the nil or in the 4 percent VAT cluster. Therefore there is no reason why tea should be classified in the residual category (where VAT is 8 to 12 percent) which includes items of luxury and discretionary consumption.

3. In a highly competitive world market we need to be not only prepared to ensure such safety standards, but also to guard against any deficiency being pointed out to act as a non-tariff barrier. A step further in this direction is to integrate the concept of HACCP (Hazard Analysis Critical Control Point). This system provides for analyzing the hazards that are likely to occur at the various stages of tea growing, manufacturing and marketing and take appropriate corrective action so as to ensure that the final product reaches the consumers as a safe item.

4. Tea Board of India offers co-operative marketing incentives to major packers of India tea within United States. These incentives do not have to
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be large but should be structured in such a way as they are not earned until they are dedicated to a specific consumer-marketing programme designed to increase awareness for India tea.

5. The current method of issuing COO by authorised Chamber of Commerce and Trade Association needs to be scrapped. The Tea Board of India should have (mandatory authorisation) to issue COOs to designated exporters.

6. Tea Board of India must release the necessary funds from the funds created from Additional Excise Duty (AED).

7. Government should reduce excise duty (domestic) and taxes.

8. Government should reduce Agricultural Income Tax (AIT) to promote reinvestment and development infrastructure, especially for exports (such as export parks, where common facilities could be created).

9. Tea Board of India should help to reduce the social cost (expenses of health care, education, housing to workers) incurred by planters by making best use of all the welfare scheme of the union government in these plantations.

10. Special Purpose Tea Fund for replanting and rejuvenation which will help in improving the quality of tea. Producers should be encouraged to sell more teas through the auction and enjoy this benefit.

11. Indian Tea Association delegation should visit Pakistan and Iran for increasing tea export.
12. The governments of tea producing countries have to collect this information, negotiate for suitable time limits and prepare an action plan for their country. In evolving their national policies, developing countries have to put in place legislation for compulsory registrations of importers and manufacturers of pesticides and take measures for control and promotion of selected pesticides.

13. Research and development activities must focus on productivity control of pests and disease, the evolution of varieties which are most pest and disease resistant and amenable to integrated pest management scheme. An integrated pest management scheme will involve the minimum use of least toxic pesticides, at a time and phase when it will leave the least residue in the produce. It also involves the use of selective pesticides and avoidance of highly toxic chemicals.

14. Timely information on changes in food safety standards and regulations should be made available to tea exporters by Tea Board of India.

15. Tea growers and processors must be provided training so that they can add more value to the product by improving its quality and sanitation levels. Traders and exporters must also be trained to specify quality and sanitation levels in their purchasing specification.

16. Tea producing countries have to create the legal framework to obtain the protection provided for in Article 22. This is especially urgent for countries like India which has an established reputation for its tea in the international market. The right legislation will help to convert these
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designations of origin into brand names for higher price realization. Protection should cover designation of origin and geographical indications.

17. The main concerns of tea producing countries relate to patents and Sui generis protection. Many tea producing countries have weak patents laws and do not offer effective Sui generis protection. Tea producing developing countries are therefore required to amend their patent and laws and introduce system of protection suitable to their needs and in conformity with the TRIPS Agreement.

18. The tea producing countries like India have immense plant genetic resource, in the traditional varieties and modern cultivars grown by farmers as well as those growing wild can be used for food and other purposes. Most of these countries do not have any system in place to document, protect and exploit such resources. A protection system has to be created which will enable the tea producing countries to control the genetic engineering and biotechnological exploitation of these resources to their best advantage.

19. Each country will have to depend on its own research capabilities and germ plasma collection to build up a reservoir of high yielding seeds and pest and disease resistant planting material. Countries failing to do this will have to obtain these on commercial terms from international market. The production of commercial seed and planting material of a tea could become a major export earner.
### 10.5.2 Recommendations to tea exporters

1. The tea producers in Nilgiri District, comprising of the talukas of Coonoor, Kotagiri, Ooty and Kundah geographical region has unique characteristics and has the reputation of being delicately fragranted with high grown quality. It is with the objective of accrediting this stamp of unique quality of the tea produced here that the process of promoting Certificate Trade mark/Specialty Logo has been launched. The Logo would indicate that the tea originate from the geographical region of Niligiri.

2. In the case of retail outlets, special incentives could be applied to sampling programs to raise awareness for Indian tea. Sampling remains one of the best and most affordable ways to introduce new consumers to what really great tea is supposed to taste like.

3. Tea as a beverage needs to be actively promoted as ‘healthy and a value for money drink’.

4. Offer outsourcing for private brands of super marketers or even big packeteers, this would require much lower investment in marketing and there is no danger of a brand failure.

5. Exporters must concentrate on other than orthodox tea like CTC which is having increasing demand.

6. Contemporise tea for young generation by setting T-bars, offering astonishing choice of exotic teas and different flavour.
10.5.3 Recommendations to tea growers

1. Since the tea manufacturing units have an equally crucial role in maintaining quality, apart from assisting such units to upgrade their machinery on liberal terms, as is being done under the Tea Board Schemes such as Factory Upgradation Scheme, some sort of regulation is a must. First, there should be a cap on the maximum daily leaf arrival in each factory, in accordance with its ability to properly process such quantity of leaf. This will reduce the tendency to generate huge quantities of secondaries that go in for reprocessing. Second, there must be transparent leaf pricing formula linked to the tea factory’s average price realisation. This will enable growers to get a fair price linked to quality and simultaneously compel tea factories to accept good quality leaf, besides improving their manufacturing practices.

2. The small grower’s need for extension service, input, credit and marketing could also be met, if the contract farming system were to gain acceptance. Typically, a tea factory, or even a nearby estate, could enter into a contractual long-term relationship with the growers for mutual benefit, as is common in other crops elsewhere. This step would ensure reasonable quality of leaf at an acceptable price and act as a win-win partnership for both grower and manufacturer.

3. The new scheme to provide impetus to re plantation of ageing and uneconomic tea areas, Indian tea industry will move towards becoming more cost effective and will achieve higher yield/productivity in future.
4. Tea growers must take different measures for Labour welfare.

10.6 Conclusion:

There is little doubt that tea industry has to change its mind set in the new century with vanishing trade barriers and global economy if exports are to be maintained with added value for the country.