CHAPTER-VI

SUMMARY, FINDINGS
AND SUGGESTIONS
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Summary of the study, major findings and the suggestions that emerged out of this study are presented in this chapter.

6.1 Introduction

Plantation crops are important commercial crops mainly grown in tropical regions. Since these crops are perennial in nature and have long gestation period, they are maintained for many years after planting. They are the major sources of revenue and employment for several countries where these crops are grown extensively.

The importance of the plantation sector in Indian economy could be understood from the fact that 15 percent of the total agricultural export earnings come from plantation crops like tea, coffee and rubber. Another feature noticed in the plantation sector is the prevalence of holdings by small, medium growers. Both coffee and tea are small grower dominant. More than 70 percent of the growers are under 10 ha category. But their contribution to total output is very low. Overall production is controlled by big estates owned by companies. The plantation sector has been instrumental in developing under developed regions in different parts of the country. Tea is cultivated in remote, hilly regions and coffee is an integral part of the ecology of the Western Ghats. This sector received government recognition now because of the changing demography of these estates, a fall in production of the crops and the volatile nature of the international market which determines directly or indirectly the realization from the product of the sector. The prices of the Indian plantation crops are influenced by the prices prevalent in the world market.
Coffee and tea are two of the major export orientated plantation crops grown in India. One important commonality of these crops is that the management of these two important crops is under the control of Ministry of Commerce, Government of India. Ministry supports the promotion of these crops through supporting research, promotion of internal markets and promotion export markets through bilateral agreements and trade promotion activities etc. Ministry is responsible for all the decisions relating to research, extension, trade promotion, development activities etc. These are implemented through respective commodity boards viz. Coffee Board and Tea Board. Being export orientated crops, liberalization of trade policies affect these two crops at different stages. Based on review of literature, it is observed that several studies have analyzed the trends in production, exports in different periods. A comprehensive analysis of the impact of trade liberalization on different market players in these crops has not been attempted. Moreover there was no attempt to compare the two major crops namely coffee and tea. In the present study the impact of trade liberalization on these two crops is analyzed by using the method of comparing pre and post-liberalization scenario.

The specific objectives of the study are

1. Review the changes in marketing structure of Coffee and Tea in India.
2. Analyse the impact of trade liberalization on production of Coffee and Tea in India.
3. To analyse the fluctuations in producer prices, wholesaler and retailer prices of coffee and tea in India during pre and post liberalization periods.
4. To estimate the gainers of Liberalization through Market Margin Analysis
5. To analyse the trends in export of coffee and tea in India during pre and post liberalization.

6. To estimate the changes in trade direction of coffee and tea from India.

Hypotheses

- There is significant increase in productivity of coffee and tea after trade liberalization.
- Trade liberalization increased retailer’s margin in coffee and tea.
- There is a significant increase in the volume of coffee and tea exports after the liberalization.

Market liberalization affects different players in the marketing chain through its affect on internal market and export markets. Trade liberalization is likely to increase domestic competition leading to increase in quantity of supply, increase in consumption, competitive but volatile prices. Increase in area, production and productivity are considered as indicators for the impact on supply and trends in consumption are indicators for the influence on consumption. On the other hand competitiveness is analysed with market margin analysis. Volatility in prices was analysed with variation in producer prices, wholesale and retail prices. Impact on export market is analysed with changes in quantity of exports, changes in direction of trade and changes in imports.

The analysis is based on time series data collected from various sources time series data was collected from the publications of Coffee Board of India, Tea Board of India, Food and Agriculture Organization (FAO), Directorate of Economics and Statistic, Department of Agriculture and Co-operation and Reserve Bank of India.
(RBI). To analyse the impact of trade liberalization the study adopted the method of pre and post analysis. The introduction of New Economic Policy was considered as the cut off point to separate pre-and post-liberalization periods because of these two crops are export oriented plantation crops. Time series data from 1980-81 to 2010-11 was collected for majority of the variables. But from some of the variables, there is a break of two to three years in the early part of 1990s. The period from 1980-81 to 1989-90 was considered as pre-liberalization period and from 1990-91 to 2010-11 was considered as post-liberalization period. For the sake of understanding the immediate impact and later impact of trade liberalization on coffee exports and volatility of producer return and retailer margin the post- liberalization period was again sub-divided into two parts. The immediate impact was analysed from 1990-91 to 2001-2002 and later impact was analysed from 2002-03 to 2009-10. It is felt important to analyse the immediate impact and later impact because in the case of plantation crops, production adjustments take more time than annual crops. Changes in the direction of trade were analyzed by Markov Chain Analysis for the exports from India before and after the introduction of liberalization policies.

6.2 Summary

Cultivation of coffee in India is dominated in the hill tracts of southern part of the country. Coffee is cultivated in states of Karnataka, Kerala, Tamil Nadu, and some of the non traditional areas like Andhra Pradesh and North Eastern Regions. Total production of coffee during the year 2010-11 was 302000 tons out of that Arabica was 94140 tons (31.2%) and Robusta 207860 tons (68.8%). Productivity of coffee during the year 2010-11was 838 kg/ha productivity of Arabica was 575 Kg/ha and Robusta was 1056 kg/ha.
Coffee production in India is small grower dominant. Out of total number of over 2.1 lakh coffee growers in the country, around 2.08 lakhs, that is 98 percent belong to the category of small growers with less than 10 hectares. The share of growers with more than ten hectares is only two percent. In India coffee is predominantly an export oriented commodity. Over 70 percent of the coffee produced in the country is exported and the rest is consumed within the country. There are 70 processing centres licensed by the coffee board and about 300 registered exporters. After the trade liberalization, domestic and export marketing of coffee is carried out entirely by the private sector.

Tea is one of the important plantation crops in India and over 70 percent of tea produced is consumed within the country itself. The remaining 20 percent is exported to other countries. India is fourth exporter of tea in the world. India was the top producer of tea for nearly a century, but recently China has overtaken India as the top tea producer due to increased land availability. India is also the world’s largest tea drinking nation. However the per capita consumption of tea in the country is 0.75 kg per annum. Tea production, certification, exportation and all other facets of the tea trade in India is controlled by the Tea Board of India. India produces crush, tear and curl (CTC) as well as orthodox tea. Orthodox tea production is balanced basically with export demand. The area under cultivation of tea plantation during 2009-10 was 580000 ha. The production and productivity of tea during 2009-10 was 991180 tons 1711 Kg/ha respectively. Tea is also considered as the cheapest beverage amongst the beverages available in India.

Marketing systems of both coffee and tea have undergone several changes before reaching the present open marketing system. In the case of coffee three distinct
phases were observed. The phase of open market system, the system of pooled marketing system and again the present open marketing system. Earlier to the establishment of Coffee Board, it was an open market system under which about 50 percent of the crop was handled by curers, 20 percent by commission agents, 15 to 20 percent by itinerant merchants, 10 percent by wholesale dealers and 4 to 5 percent by brokers. About 2 to 3 percent of the crop was brought by the planters to the market. In the second phase centralized pooled marketing system was introduced by the Coffee Board with a control on internal release and export of coffee. The third phase in the marketing system of coffee started with the trade liberalization. De-regulation of coffee trade is a result of changes in the macroeconomic policies in the country. At present coffee marketing system is an open system in which the growers are free to sell their coffee in the internal or international market without any restrictions. The opening of coffee trade and withdrawal of Coffee Board from the marketing functions resulted in various changes.

Tea marketing has behind a long history in the world. It dates back to 17th century during the British East India Company. The genesis of the Tea Board of India dates back to 1903 when the Indian Tea Cess Bill was passed. The Bill provided for levying a cess on tea exports, the proceeds of which were to be used for the promotion of India tea both within and outside of India. The present Tea Board set up under section 4 of the Tea Act 1953 was constituted on 1st April 1954. It replaced the central Tea Board and the Indian Tea licensing Committee which functioned respectively under the central Tea Board Act, 1949 and the Indian Tea Control Act, 1938. The activities of the two previous bodies had been confined largely to regulation of tea
cultivation and export of tea as required by the International Tea Agreement then in force, and promotion of tea consumption.

Though tea is sold in auctions, at present it is not compulsory on the part of the producer to sell only through auction. Growers have a choice to sell either through auctions or through ex-garden sales or forward contract. According to the tea (marketing) control order 1984 till 2001, sale of 75 percent of tea through auctions was compulsory till 2001. After the abolition of this order in 2001 producers were given freedom to sell their tea through the channels they prefer. Therefore three main preferred modes for the disposal of tea are (a) through auction (b) ex-factory or ex-garden sale and (c) forward contract.

In India, tea marketing process can be divided into two stages, primary and secondary markets. Primary marketing channels help in moving made-tea from the grower to the bulk tea buyers. It also explains the movement of tea directly from producers to national or international buyers. This channel carries tea from producer to auction centres where it changes hands from the producers to the large buyers through brokers. Secondary marketing channel include, the movement of bulk tea, which is purchased in bulk at primary market, through auction trading to ultimate consumers. In this chain tea passes through wholesalers, commission agents, blenders, packers and retailers. But till date the auction trading has remained by for the most important marketing channel for the tea growers. Among the 14 auction centres of the world nine are situated in India. These are Amritsar, Calcutta, Cochin, Coimbatore, Coonoor (two centres), Guwahati, Jalpaiguri and siliguri.

Liberalization of trade polices influence the marketing structures, prices received by the growers and other market players. Impact of trade liberalization on
prices of coffee and tea can be understood by analysing the producer prices wholesale prices, retail prices and International prices of these two major plantation crops. The results showed that producers’ received higher price for coffee in post liberalization, but there is no consistency. Volatility in the international prices affected the coffee growers in India and the Indian coffee growers faced greater, uncertainty in their returns in the post liberalization period. But in case of tea there is a reduction in volatility of prices. Decreased co-efficient of variation in post liberalization period 25.83 percent compared to the earlier period shows that the volatility has decreased.

Trade liberalization did not increase the volatility of wholesale prices of tea. One important reason is that tea has a good internal market in India and the dependence on international market is less. Due to this reason, the wholesale prices are protected from the volatility in the international markets. The results also indicated that producers’ of coffee received lower share in consumer prices during post-liberalization period. In case of tea the producer’s share in consumer rupee was high in post-liberalization period compared to pre-liberalization period.

In the case of wholesale prices also, greater variation after liberalization was observed in the case of coffee. But the price of tea was more stable in both periods.

Arabica and Robusta are the two varieties of coffee mainly produced in India. However there are shifts in the share of Arabica and Robusta in the total production. During 1950-51, 82 percent of the production was Arabica and 18 percent was Robusta and this has changed considerably by 2011-12. During 2011-12, 32 percent of the production was Arabica and 68 percent was Robusta (Coffee Board). In Indian coffee export basket, the export share of instant coffee and Robusta parchment is
increasing. During 2009, around 80 percent of Indian coffee export was instant coffee, Robusta parchment and Robusta Cherry (Nagoor, 2010).

India has been a major tea producer and exporter for a long period. During 1961-70, India’s share in world production was 33.70 percent and in world export it was 30.47 percent. Tea is not a homogeneous product. Black tea and Green tea are main varieties, produced and traded around the world. India basically produces and exports black tea. Indian black tea mainly competes with Kenya, Sri Lanka, Vietnam, and Indonesia in the International market. Kenya, China, Sri Lanka, Indonesia, Vietnam and India, constitute around 80 percent of the world tea exports. It can be called oligopoly market. To dispose of their surplus tea, these countries compete among themselves by cutting prices. India depends heavily on exports for disposal of coffee but in the case of tea, India has a strong domestic market.

6.3 Findings of Study

The major findings of the study as follow:

6.3.1 Impact on Area, Production and Productivity

The average area under coffee increased from 181.99 thousand hectors in pre-liberalization to 293.16 thousand hectors during the post liberalization period. This clearly shows the positive impact for trade liberalization on area under coffee cultivation. But year to year variation expressed by compound growth rate remained constant both in pre and post liberalization period. During both periods the annual growth rate is around 2.3 percent. Same is the case with co-efficient of variation. This is expected in the case of plantation crops with a larger gestation period. It takes minimum three to four years for the plantations to produce output. There is an
increase in the annual growth rate after liberalization. While area under tea
cultivation increased at an annual growth rate of 0.8 percent in pre-liberalization
period, it increased by 1.6 percent during the post–liberalization period. Co-efficient
of variation also increased from 6.06 percent to 12.83 percent indicating greater
variability during the post liberalization period.

The average coffee production increased from 118.05 thousand tons in pre-
liberalization to 246.22 thousand tons in post liberalization period. During pre-
liberalization period the annual growth rate was around 0.3 percent but during post -
liberalization period the annual growth rate is around 2.7 percent, showing a
considerable increase in production. Co-efficient of variation did change during pre
and post liberalization. The average tea production increased from 559.32 thousand
tons during the pre-liberalization period to 848.01 thousand tons during the post
liberalization period. However there is a decrease in the annual growth rate in post–
liberalization period. However, co-efficient of variation decreased from 15.11 percent
to 10.87 percent between pre and post- liberalization periods indicating greater
stability in production during the post- liberalization period.

The average productivity of coffee increased from 687.25 kg/ha, in pre-
liberalization to 838.80 kg/ha during the post liberalization period. Liberalization
appears to have a positive impact on productivity of coffee. Not only there is an
increase in the average productivity in post- liberalization period, the growth rate was
also positive. The better prices received by growers has helped the growers to
improve the productivity in the case of coffee. But in the case of tea though average
productivity in the post liberalization increased to 1735.65 kg/ha from 1458 kg / ha,
the growth rate was negative. However, there is consistency in the productivity in the
post liberalization period. Co-efficient of variation declined from 10.04 percent to 3.85 percent. The results of the paired sample t - test show that there is a significant difference in the average productivity of coffee before and after suggesting that trade liberalization has a positive impact on productivity of coffee in India.

In the case of tea also there is an increase in the average productivity of tea. The average productivity increased from 1457.90 Kg/ha in pre-liberalization period to 1735.65 Kg/ha in post-liberalization period. The results of the paired sample t - test show that there is a significant difference in the average productivity of tea before and after liberalization suggesting that trade liberalization has a positive impact on productivity of tea in India.

6.3.2 Impact on Prices

Impact of trade liberalization on producer prices of coffee has shown that Co-efficient of Variation (C.V) of producer prices of coffee in post- liberalization is higher than pre- liberalization period indicating greater volatility in producer prices. This shows that though producers received higher price for coffee in the post liberalization, there is no consistency. Volatility in the international prices affected the coffee growers in India and the Indian coffee growers faced greater uncertainty in their returns in the post liberalization period.

Trade liberalization has increased competition for Indian tea. But when we look at the variation in the pre and post liberalization periods, there is a reduction in volatility of prices. Decreased co-efficient of variation in post liberalization period (25.83%) compared to the pre-liberalization period (51.99%) shows that the volatility has decreased.
Analysis of wholesale prices shows that in the post-liberalization period, co-efficient of variation in wholesale prices of coffee is 40.38 percent which is higher than the pre-liberalization period variability of 25.25 percent. This shows that there is a greater uncertainty in the wholesale prices in the post liberalization period due to the fluctuation in the international markets.

Co-efficient of variation in wholesale prices of tea in pre and post liberalization periods showed marginal increase. Variation increased from 22.34 percent to 26.82 per cent in post liberalization period. This indicates that the trade liberalization increased the volatility of wholesale prices of tea. But the increase in volatility is marginal. One important reason is that tea has a good internal market in India and the dependence on international market is less. Due to this, the wholesale prices are protected from the volatility in the international markets. But the retail prices of coffee have shown more consistency in the post liberalization period. Though wholesale prices have shown greater variation, retail prices did not show variation. However, retail prices of tea were more consistent in both periods compared to coffee prices and volatility has not increased in the post-liberalization period.

Indian Coffee growers were badly affected by unstable international coffee prices. Co-efficient of variation in post-liberalization period is high by 37.63 percent and greater than 21.93 percent of the pre-liberalization period.

However one important observation is that co-efficient of variation is more when prices were high and it is low when prices are low indicating that increased prices showed larger variation but decreased prices were consistent throughout the year. But in case of interactional prices of tea there is less variation.
6.3.3 Impact on Market Margins

The results showed that producers of coffee received better share in pre-liberalization period in compared to post liberalization period. Coffee producers received around 70 to 80 percent of consumer price under the controlled marketing system. But from 1985 onwards the producer’s share started declining and the declining share continued. The results indicated that producers of coffee received higher share in the consumer price during the pre-liberalization period than in the post liberalization period.

In case of tea there is a consistency in the producers share both in the pre and post liberalization periods. Between 1992 and 2010 during post-liberalization the share was in the range of 88.00 to 56.00 per cent.

Wholesaler's margins as percentage of wholesale price in the case of coffee showed a significant difference in the pre and post liberalization periods. While the margins were in the range of 10 to 30 per cent in the pre-liberalization period, they increased to 30 to 50 per cent in the post-liberalization. This is mainly because the wholesalers under the open market system have several options to buy the produce. Due to their average share is high. On the other hand in the case of tea, margins declined considerably under the liberalization scenario.

Coffee retailers' margin was ranging from 9.55 percent in 1980 to 23.71 percent is 1989. During post-liberalization, the highest percentage of retailers' margin was observed in the year 2010 (46.38 per cent) and lowest was in the year 1997 (18.82 per cent). Due to fluctuation in prices, retailers have increased their margins.

In the case of tea retailers' margins have increased considerably in the post-liberalization period. Retailers' margins started increasing from 1986 onwards, but
declined in the initial years of liberalization. During 2001 and 2006, margins were around 30 per cent, but started declined from 2007 onwards.

6.3.4 Impact on Exports

Indian coffee exports suffered greater variation compared to variation in world exports. However share of Indian coffee in world exports showed greater consistency with 13.67 percent variation. In the case of tea thought there is greater fluctuations in the world export of tea, there is less variation in the exports of tea from India. The variation in the share of tea exports was 11.24 percent which is lower than the fluctuations in coffee export share.

The results show that there is greater stability in the share of export of coffee in total production of coffee in India during post-liberalization compared to pre-liberalization period. Average share of exports increased to 75.55 percent compared to 62.93 percent during pre-liberalization period. There is an increased competition in the international market with more competition among major tea producing countries like China, Kenya, Sri Lanka, Indonesia, Vietnam and India.

In the case of tea, the average share of exports declined from 34.11 percent in pre-liberalization period to 22.68 percent in the post liberalization period. Co-efficient of variation (C.V) in export share of tea in total production declined from 12.63 percent in pre-liberalization period to 6.74 percent in the post-liberalization period. The results show that the share of export of tea in total production declined after liberalization.

Though the quantity of exports increased, the Co-efficient of variation (C.V) in quantity of export of coffee showing year to year variation in exports increased
from 12.43 percent during pre-liberalization period to 24.57 percent during post-liberalization period indicating that there is greater variation in coffee exports after the liberalization.

Tea exports from India witnessed greater fluctuations in the post-liberalization compared to pre-liberalization period. The increased co-efficient of variation (C.V) from 6.76 percent in pre-liberalization period to 10.13 percent in post-liberalization period indicated this trend. The quantity of tea exports have declined after the liberalization period due to intense competition from international players and also increased consumption in India. Increased year to year fluctuations were also observed in the post-liberalization period.

During both pre and post-liberalizations the value of exports of coffee has grown at an annual growth rate of around 90 percent. Though the value of exports has showed an increasing trend, there are greater fluctuations in the value of coffee exports. The variation in coffee exports has increased in the post-liberalization period. Co-efficient of variation increased from 26.50 percent in pre-liberalization period to 44.89 percent in the post-liberalization period indicating lesser stability in the value realization from coffee exports in the post-liberalization period.

The average of tea value during the post-liberalization period is higher than pre-liberalization period. Average tea export value increased from Rs.600.73 crores in pre-liberalization to Rs.1701.23 crores in post-liberalization period. There is an increase in the growth rate of value of tea exports during the pre and post-liberalization periods. While the growth rate during the pre-liberalization was 92.90 percent, it was 94.90 percent during post-liberalization period indicating that a considerable increase in export value of tea. There is an increase in the variation of
value of tea exports. The co-efficient of variation (C.V) increased from 27.86 percent in pre-liberalization period to 30.83 percent in post-liberalization period.

6.3.5 Impact on Direction of Trade

Coffee has been a major export earning commodity of several coffee growing countries in the world. Indian Coffee is exported to over 40 countries, but the ten major importing countries from India are Italy, Russia, Germany, Belgium, Spain, France, USA, Japan, Australia and Kuwait which accounts for nearly 84.37 percent of total exports during 1981-82. The share of these countries increased to 90 percent in 1982-83 and in subsequent years it decreased continuously and the share of other countries increased. The share of these ten countries was reduced to 70 percent in 1985-86 though it increased to 96 percent again in 1987-88.

Post-liberalization witnessed a structural change in the direction of trade in coffee. During the period between 2005-06 and 2011-12, the dominance of Russian and USA has decreased.

In case of tea the ten major importing countries from India are U.K, Netherland, Russia, USA, Germany, Iran, U.A.E, Saudi Arabia, Japan and Australia which account nearly for 66.19 percent of the total exports from India. During pre-liberalization period Russia was the largest importer. Tea exports to Russia were 33.33 percent of the total exports in 1981-82. The share of Russia increased in subsequent years and during 1987-88 exports to Russia were 45.48 percent of the total tea exports.

In case of tea exports also have diversified into several countries after the liberalization. This is indicated by the increasing proportion under other countries
which was around 20 to 30 percent in pre-liberalization period increased to 30 to 40 percent in the post-liberalization. The share of Russia, which was the largest importer of tea from India, declined from 45 percent in pre-liberalization to around 20 percent though out of post-liberalization period.

Changes in the direction of trade was analysed by using Markov chain analysis. The probability matrices were calculated for the quantity of exports during pre and post- liberalization periods. Data from 1981-82 to 1987-88 was considered for the pre-liberalization period and from 2005-06 to 2011-12 was considered for the post-liberalization period. The probability matrices show the losers and gainers in and the changes over a period of seven years. Markov chain analysis has shown that during pre-liberalization period, Russia exhibited highest retention probability for coffee exports and it is shifted to Germany during the post-liberalization period. In case of tea, Russia and UK were loyal markets for tea exports in pre-liberalization period and during post-liberalization period none of the countries have exhibited retention indicating greater diversification of tea exports. Import of coffee and tea has increased in both quantity and value after the trade liberalization.

6.4 Suggestions

Following suggestions are emerged from the present study.

Plantation crops have long gestation period. It takes minimum three to four years for the plantations to produce output. This discourages people to take up plantation crops for cultivation. The government should provide support to the growers in the form of encouraging multiple cropping systems in which the layers of trees with different gestation period can be planted so that the grower will be
receiving income before the plantations start yielding. More research and field trials are needed to arrive at area specific plantation models.

The main problem with plantation crops is un-remunerative prices in certain years due to low prices in the international market. The fall in prices is almost a cyclical phenomenon. The dependence on export market for the disposal of the crop is high in coffee. Another reason for greater fluctuations is uneven rain fall. The price stabilization Fund (PSF) was launched by Government of India in April 2003 against the backdrop of decline in international and domestic prices of tea, coffee and rubber causing distress to primary growers. The growers of these commodities were particularly affected due to substantial reduction in unit value realization for these crops at time falling below their cost production. The objective of the scheme is to safeguard the interests of the growers of these commodities and provide financial relief when prices fall below a specified level. The scheme is being operationalized through the price stabilization Fund Trust. However very few growers are able to avail this facility. According to the publication of Ministry of Commerce and Industry 71949 coffee growers and 42619 tea growers were proposed to be enrolled by 201. But only 11594 coffee growers and 15730 tea growers were enrolled. In a study by Chatterjee and John (2012) it was observed that only 5.5% of the tea growers are aware of this scheme. According to the authors the sample respondents felt that that though the name of the scheme is PSF, it doesn’t stabilise the green leaf price and that they are interested for a product that mitigates the price risk. In the case of Coffee also it was observed that such schemes received lukewarm response as planters are not aware of the modalities of enrolment and how to utilize such opportunities. In fact the scheme received enrolment of only about 9000 odd planters in 2006 (Upendranath,
The author’s interactions with small growers revealed that they do prefer a procedure of this nature in a more simplified way in comparison to the current implementation mechanism. Therefore there is a need to initiate research to understand the ground realities and evolve a programme with the participation of the growers. It is important to make the modalities simple so that many growers will get motivated to register and get benefitted.

Under competitive market the retailers margins (difference between wholesale price and retail price) in domestic market is high. Due to this the consumers are paying higher price and the share of the grower is low. If government can enter into market and sell coffee and tea at lower prices, lower than the market prices, this will act as level playing field and forces the retailers to reduce their margins to remain in the market.

The commodity Boards should play important role in providing information about new markets and support the initiatives of individual growers in reaching the new markets.

The analysis of present study is showed that the quantity of tea exports have declined after liberalization period due to intense competition from international players and also increased consumption in India. The performance of Indian tea exports compare to major tea exporting countries is poor and it lost the market to other major exporting countries like Sri Lanka, Kenya, China, Indonesia and Vietnam. The international price of Indonesia and Vietnam is low compare to India. It is important to reduce the cost of cultivation in order to get price advantage in the international markets, besides improving the quality of exports. Cost of Cultivation studies is to be conducted along with research to evolve high yielding varieties of
coffee and tea. Tea Board of India should make attention for improve quality, grading, packaging and branding of Indian tea to compete in international market.

Value addition plays an important role in increasing the value of the product. Smaller processing units for value adding with lesser cost should be promoted in the growing areas which not only improves the value, but also created employment opportunities. Financial support through nationalized banks can be sought in these efforts.

Indian tea is losing its position in the export market on account of higher production cost and poor quality. Tea Board of India should make plan to reduction cost of production and improve quality.

Since coffee and tea production is small grower dominant, effective extension services are needed to reach these tiny growers spread in different remote places of growing areas. The extension services should focus not only on bringing lab to land, but also on how to sell at remunerative prices.