CHAPTER I

INTRODUCTION

The tea industry has an important and special place in the Indian economy. Tea is the country's primary beverage, with almost 85% of total households in the country consuming tea. India is the world's largest producer and consumer of tea, accounting for 27% of the world tea production in 2003. India's expenditure on beverages and processed foods accounts for 8% of food expenditure in rural areas, and 15% in urban areas.

India is also an important tea exporter, with around 12-13% of world tea exports. Further, certain varieties of tea (for example Darjeeling) are grown only in India and are in great demand across the world. Darjeeling tea possesses the brightness of flavour and fine colouring that set them apart from all other teas.

India's tea exports were estimated at Rs.17.31 billion during 2006, accounting for 0.4% of India's total exports. In terms of value, tea is the fourth-largest agricultural export item from India, with exports of around US $ 410 million in 2004. In terms of employment, the tea industry employs around 1.27 million people at various plantations directly, and 2 million people indirectly, of which around 50% are women. The last fact is particularly important when we consider that tea industry, to a large extent, drives the economy of the regions where the tea gardens are concentrated, for example Assam.

Tea is the prime beverage consumed in India, and the Private Final Consumption Expenditure (PFCE) on tea, coffee and cocoa aggregated at Rs.134.96 billion in the year 2005, accounting for around 2% of India's PFCE on food of which 0.7% is for tea. The

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latest available data indicate that tea accounts for 90.6% of India's consumption of non-alcoholic stimulants (tea, coffee, and cocoa beans), followed by coffee (7.7%), and cocoa beans (1.7%).

In order to make any industry profitable, it is necessary to increase its productivity as well as its production. While reckoning the needs for increasing production quantitatively it is essential to remember that this should not be at the cost of quality. The unit value of the product is most important in the competitive market but India's foremost need is to step up the production of high quality tea and raise the general standard of the product so that our tea may be truly competitive in the world market. It is to be noted that India's production over the years has been increasing albeit not at the same pace as that of many of its competitors.

In India, tea is primarily grown in Assam, West Bengal, Tamil Nadu and Kerala. Tea is also grown on a small scale in a few other states viz., Tripura, Karnataka, Himachal Pradesh, Uttarakhand, Sikkim, Bihar, Manipur, Orissa, Nagaland and Arunachal Pradesh. Tea is a plantation crop with high degree of labour-intensity. The sub-tropical climate of North-eastern and parts of Southern India is favourable for the cultivation of tea. Tea is a rain-fed crop, and is usually grown in areas where annual rainfall varies from 1,150-6,000 millimeters. Humidity conditions also have an impact on tea production and yield, with relative humidity (RH) of 80-90% being considered favourable during the growth period of tea plants. However, production is adversely affected when RH is below 50%. The tea-plant is initially trimmed into a small bush by centring low within a few months of planting, by removing the central leader stem in order to encourage development of lateral branches. The lateral branches are cut to a convenient height (40 to 50 cm) and the growth above this is periodically trimmed. Thus a small, compact bush is formed. New shoots are allowed to grow unhampered and these shoots are tipped, leaving a growth of 20-30 centimeters above the pruning cut, depending on that

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8 Tea Statistics, Tea Board of India, Various issues.
kind of plant. The crop is then harvested at regular intervals.\(^\text{12}\) Tea is traditionally classified based on the degree or period of fermentation (oxidation) the leaves have undergone:\(^\text{13}\):

1) **White tea:** Made from young leaves (new growth buds) that have undergone no oxidation. White tea is produced in lesser quantities than most other types, and can be correspondingly more expensive than teas from the same plant processed by other methods. It is also less well-known in countries outside China.

2) **Green tea:** In the manufacture of green tea, the oxidation process is stopped after a minimal amount of oxidation by application of heat. The tea is processed within one to two days of harvesting.

3) **Oolong:** Oolong is semi-fermented tea, where the oxidation process takes 2-3 days.

4) **Black tea:** Here, the tea leaves are allowed to completely oxidize. Black tea is the most common form of tea in South Asia (India, Sri Lanka, Bangladesh, etc.) and Kenya. Black tea is further classified as either Orthodox or CTC (Crush, Tear and Curl). Orthodox and CTC teas are further graded according to the post-production leaf quality by the Orange Pekoe system.

There are primarily four regional varieties of tea in India: Assam, North Bengal (teas including Dooars and Terrai), Nilgiris, and Darjeeling.\(^\text{14}\)

**1.1 INDIAN TEA INDUSTRY: EARLY HISTORY**

For long, offering a smoky cup of tea has been a symbol of hospitality in almost every culture across the globe. A good quality tea is, indeed, every sipper’s pride.

It is difficult to trace out the exact period when tea leaves were used in preparing such a palatable drink and it is equally doubtful to say with reasonable accuracy when this plant cultivation began in its original form.\(^\text{15}\)


\(^{15}\) R.C. Awasthi; *Economics of Tea Industry in India*, United Publishers, Guwahati, 1975, pp- 30-31.
"Tea had its genesis in China untold centuries ago but its real history is lost in the obscurity of China's venerable antiquity and for most part is traditional."^^

According to Chinese legend, probably in 2737 BC, in the period of Emperor Shen Nung, a few leaves accidentally slipped into a can of steaming water which was sipped and, thus tea became popular.^^ Indeed, tea as a beverage was known in China as early as in 1937 BC. But the first recorded reference about tea, it appears, was found in a classical compilation by Confucius about 500 B.C. Gradually the fame of tea spread around the world through Chinese globe-trotters.^^

Till the early-1800s, China was the world's predominant supplier of tea. The word 'tea' comes from a Chinese ideogram pronounced 'tay' and came into English with that pronunciation, changing to its present form in the 18th century. The other pronunciation for tea is 'Cha'; used by the Cantonese dialect spoken around the ports of Guangzhou, Hong Kong, and in overseas Chinese communities, as well as in the Mandarin dialect of northern China.^^

Tea was introduced in Europe in the early 17th century, with the beginning of trade between Europe and the Far East. From the early 17th century, the Dutch East India Company marketed tea in Europe as an exotic medicinal drink. However, it was far too expensive. In 1664, the British East India Company brought the gift of Chinese tea to the British king and Queen. Later, in 1669, the British East India Company gained a monopoly on British tea imports after convincing the British government to ban Dutch imports of tea.^^ By 1715, the British East India Company, with a monopoly on overseas trade held over those British companies that were operating in Asia, was firmly established in China. China was the world's only supplier of tea and the Dutch and East India Companies had the exclusive control over export of tea to Europe. Tea was also re-exported from Europe to the American colonies, and by the mid-18th century was the most popular beverage in the American colonies. In 1773, a protest by American colonists over the tax on tea led to the 'Boston Tea Party'(in which Boston residents

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destroyed crates of British tea by throwing them into Boston Harbour), and subsequently the American Revolution.\textsuperscript{21}

Prior to the Boston Tea Party, residents of Britain's thirteen North American colonies preferred tea more than coffee. In Britain, coffee was more popular. After the protests against the various taxes, Americans stopped drinking tea as an act of patriotism. Similarly, Britons slowed down their consumption of coffee.\textsuperscript{22}

The merchants of East India Company were primarily responsible for the development of tea planting and tea trade which together comprise the tea industry in India.\textsuperscript{23}

From about 1715 the East India Company took complete control of the tea export trade from China and held it till 1833. In 1774, Warren Hastings made provision, by treaty, for the duty sale of Bhutanese goods in North Bengal. In this connection when Chinese seeds began to arrive in India, Hastings had a selection of them, sent to George Bogle, the British emissary then in Bhutan.\textsuperscript{24} In 1778, Sir Joseph Banks, the great Indian Botanist was asked to prepare a series of notes for the East India Company on cultivation of new crops in India. Sir Joseph conducted a detailed investigation and recommended the cultivation of tea in India.\textsuperscript{25}

The inception of the tea industry in India can be associated with the refusal of the Chinese Government in 1833 to renew the agreement with the East India Company. After this refusal, the East India Company took initiative for more vigorous steps to establish a source of supply from India.\textsuperscript{26} At this juncture, the momentous event of the discovery of tea in Assam came. But there was a controversy as to who discovered tea in Assam, C.A. Bruce or Lt. Charlton. Although by no means unanimous, most authorities are inclined to give the honour to C.A. Bruce.\textsuperscript{27} In 1823, Robert Bruce, brother of C.A. Bruce learnt of the existence of tea shrubs in Assam and made an agreement with a Singpho Chief to provide some specimen of the plants. It was at this point of time that C.A. Bruce came on scene.\textsuperscript{28}

\begin{itemize}
  \item C.R. Harler; 1964, op.cit., p-44; and, ICRA Sector Analysis, 2006, op.cit., p-5.
  \item Ibid.
  \item R.C. Awasthi; 1975, op.cit., pp-32-33.
  \item Ibid.
  \item R.C. Awasthi; 1975, op.cit., p-33.
  \item Sir Percival Griffiths; 1967, op. cit., pp-36-38.
\end{itemize}
In 1828, Lord William Bentinck became the Governor General of India and a committee was appointed by him in February 1834 to explore the possibility of the cultivation of tea in India. The committee consisting of 11 Englishmen and 2 Indians issued one circular describing the conditions favourable for growing tea and suggested the Government to collect information wherever it might be available. In 1835 the Secretary of the committee was sent to China to secure tea seeds. He dispatched seeds from China which reached Calcutta later in the same year. At the same time, as a result of the circular issued by the Government, a person named Captain Jenkins had obtained some specimens of indigenous tea plants from Sodiya, Assam. These seeds were identified at the Calcutta Botanical Garden to be identical with Chinese variety. Government was so impressed with the committee’s subsequent report that they sent a Commission to Assam to report on the indigenous plant and also about the most suitable place for growing it. The commission left Calcutta on 29th August 1835 and took nearly four and half months to reach Sodiya where they joined C.A. Bruce who acted as guide to the Commission. The first samples of manufactured tea in Assam were ready by 1837. Tea was produced and the process of manufacturing was simply withering of leaves in the Sun, rolling by hand and drying over the charcoal fire.

In the year 1838, the first shipment of Indian tea from Assam was sent to UK. The shipment consisted of 12 chests weighing 350 lbs. and 8 chests of them were sold in London auction on January 1839 at prices ranging from 21 shillings 8 pence to 34 shillings per lb., although the broker had valued the tea at the rate of 3 shillings per lb. In the following year the quantity shipped to London had increased to 59 chests. The important feature was the considerable improvement in the quality of tea sent to London during the subsequent years.

Shortly, the cultivation of tea began to spread from Bramhaputra Valley in Assam to the other parts of North-east India and then all over the country. Tea was introduced in

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31 R.C. Awasthi; 1975, op.cit., p-34.
32 Ibid.
34 R.C. Awasthi; 1975, op.cit., p-35.
Darjeeling district 1850; tea cultivation began in Cachar and Sylhet around 1856; in the Nilgiris and Kerala around 1860, and, in Dooars, the first garden was opened in 1862.\(^{37}\)

In the 1860s the lure of tea and dreams of quickly acquired fortunes and idea that everybody could run a tea garden attracted a large band of adventurers in the tea industry. "Tea planters in these days" according to Edward Money, another chronicler of tea, "included retired or cashiered Army and Navy officers, medical men, engineer, veterinary surgeons, steamer captains chemists, shopkeepers of all kinds, stable keepers, use-up policemen, clerks and goodness knows who besides".\(^{38}\)

At that time, for export purpose a number of private entrepreneurs approached the government both in London and Calcutta for the transfer of government plantation to them. Companies were formed in Calcutta and London in 1839 which were later on amalgamated under the name of 'Assam Company'. The Jourhat Tea Company was incorporated on June 29, 1859. It was the second company with limited liability formed with its gardens in Assam.\(^{39}\)

Improvements were going on in the manufacturing process also. In the early days of tea manufacturing, leaves were withered in the Sun, rolled by hand and dried by charcoal fire.\(^{40}\) From 1870 onwards machines gradually supplemented the manual methods previously used. As a result, cost of production was substantially reduced. Two outstanding advances in the progress of manufacturer were the "introduction of mechanical roller in 1872" which was discovered by William Jackson and the "introduction of Sirocco dryer" by Sir Samuel Devidson in 1877. Mechanical packers were also introduced almost at the same period.\(^{41}\) Another important landmark of the history of Indian tea industry was the formation of tea association. With rapid growth of the industry in the 1870s accompanied by the lack of transportation facilities, shortage of labourer and problems arising out of threats to law and order, it was felt by those who were engaged in tea cultivation to form an association for the common interest and objects of the garden owners.\(^{42}\) As early as 1876 an attempt was made to organize North Indian tea estate owners into an association. It was only five year later that at a

\(^{37}\) Ibid.


\(^{40}\) R.C. Awasthi; 1975, op.cit., p-35.


meeting held on May 18, 1881, the Indian Tea Association was formed with its head office in Calcutta. In 1885, the Indian Tea Association was brought under the umbrella of Bengal Chamber of Commerce. Later on, the other associations were formed in Assam, Bengal and South India.43

Further, no history of Indian tea will be complete without a special mention of the research and developments in the Indian tea industry over the past hundred years. Research and development in the Indian tea industry was placed on a sound footing when in 1911, the Indian Tea Association centralised its earlier activities beginning from 1900 by setting up its Tea Research station at Tocklai (near Jourhat) with Dr. Horace Mann as its head.44

After its inception, the research was started on all the branches of tea cultivation and manufacture. Special attention was made on plant disease and tea insects and pests.45 Tocklai is the biggest and most pre-eminent of the dozen or so such tea research institutions in the world. Over the years, Tocklai has expanded steadily. As fundamental knowledge accumulated it became necessary to test out research findings in practice for which 200 acres experimental tea garden was established at adjoining Borbhetta and advisory service was started.46

The work of Tocklai station is conducted by ten departments of which four departments carry out basic research, four carry out experimental research and two others serve as advisory body. In the field of new techniques of tea manufacture, Tocklai has developed the CTC (crash, tear and curl) process, invented by a planter in the thirties and adopted by most tea factories.47

Table 1 (i) which follows presents a profile of the growth of Indian tea industry during the period 1900 to 1980:

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47 Ibid.
Table 1(i) : Profile of Indian Tea Production, 1900-1980

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Estates</th>
<th>Area under Tea (hectares)</th>
<th>Production (Tonnes)</th>
<th>Yields/Hectare (Kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>5783</td>
<td>211433</td>
<td>89567</td>
<td>424</td>
</tr>
<tr>
<td>1910</td>
<td>4402</td>
<td>228062</td>
<td>119569</td>
<td>524</td>
</tr>
<tr>
<td>1920</td>
<td>5054</td>
<td>284922</td>
<td>156645</td>
<td>550</td>
</tr>
<tr>
<td>1930</td>
<td>4743</td>
<td>325057</td>
<td>177391</td>
<td>546</td>
</tr>
<tr>
<td>1940</td>
<td>6564</td>
<td>337296</td>
<td>210415</td>
<td>624</td>
</tr>
<tr>
<td>1950</td>
<td>6731</td>
<td>315656</td>
<td>278212</td>
<td>881</td>
</tr>
<tr>
<td>1960</td>
<td>9499</td>
<td>330738</td>
<td>321077</td>
<td>971</td>
</tr>
<tr>
<td>1970</td>
<td>12015</td>
<td>354133</td>
<td>418517</td>
<td>1182</td>
</tr>
<tr>
<td>1980</td>
<td>13382</td>
<td>381086</td>
<td>569172</td>
<td>1494</td>
</tr>
</tbody>
</table>


As is shown by the table, the growth of Indian tea industry during 1900-1980 has been quite impressive. While during the period in question, the number of tea estates in India went up from 5,783 to 13,382 and area under tea increased from 211,433 hectares to 381,086 hectares (registering thereby a growth of 56.79 per cent and 44.52 per cent respectively), the growth of total tea production in India as well as of yield per hectare have been particularly phenomenal. Tea production increased by a total of 84.26 per cent and yield registered a rise of 71.62 per cent during the eighty year period covered by the table.
1.2 GROWTH OF INDIAN TEA INDUSTRY: 1981-2001

The growth of Indian tea industry during the study period, i.e., 1981-2001 is shown in Table 1(ii):

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Estates</th>
<th>Area under Tea (hectares)</th>
<th>Production (Tonnes)</th>
<th>Yields/Hectare (Kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>13403</td>
<td>383629</td>
<td>560427</td>
<td>1461</td>
</tr>
<tr>
<td>1982</td>
<td>13420</td>
<td>394170</td>
<td>560562</td>
<td>1422</td>
</tr>
<tr>
<td>1983</td>
<td>13464</td>
<td>396066</td>
<td>581484</td>
<td>1468</td>
</tr>
<tr>
<td>1984</td>
<td>13473</td>
<td>398453</td>
<td>639864</td>
<td>1606</td>
</tr>
<tr>
<td>1985</td>
<td>13537</td>
<td>398966</td>
<td>656162</td>
<td>1645</td>
</tr>
<tr>
<td>1986</td>
<td>13546</td>
<td>407647</td>
<td>620803</td>
<td>1523</td>
</tr>
<tr>
<td>1987</td>
<td>13564</td>
<td>411335</td>
<td>665251</td>
<td>1617</td>
</tr>
<tr>
<td>1988</td>
<td>13853</td>
<td>414347</td>
<td>700014</td>
<td>1689</td>
</tr>
<tr>
<td>1989</td>
<td>13856</td>
<td>414953</td>
<td>688105</td>
<td>1658</td>
</tr>
<tr>
<td>1990</td>
<td>13861</td>
<td>416269</td>
<td>720338</td>
<td>1731</td>
</tr>
<tr>
<td>1991</td>
<td>13873</td>
<td>420470</td>
<td>754192</td>
<td>1794</td>
</tr>
<tr>
<td>1992</td>
<td>13918</td>
<td>420289</td>
<td>732322</td>
<td>1742</td>
</tr>
<tr>
<td>1993</td>
<td>13936</td>
<td>418363</td>
<td>760826</td>
<td>1819</td>
</tr>
<tr>
<td>1994</td>
<td>35116</td>
<td>425966</td>
<td>752895</td>
<td>1768</td>
</tr>
<tr>
<td>1995</td>
<td>37319</td>
<td>427065</td>
<td>756016</td>
<td>1770</td>
</tr>
<tr>
<td>1996</td>
<td>38705</td>
<td>431204</td>
<td>780140</td>
<td>1809</td>
</tr>
<tr>
<td>1997</td>
<td>38707</td>
<td>434294</td>
<td>810031</td>
<td>1865</td>
</tr>
<tr>
<td>1998</td>
<td>80010</td>
<td>474027</td>
<td>874108</td>
<td>1844</td>
</tr>
<tr>
<td>1999</td>
<td>98839</td>
<td>490200</td>
<td>825935</td>
<td>1685</td>
</tr>
<tr>
<td>2000</td>
<td>112010</td>
<td>504366</td>
<td>846922</td>
<td>1679</td>
</tr>
<tr>
<td>2001</td>
<td>115264</td>
<td>515806</td>
<td>838923</td>
<td>1675</td>
</tr>
</tbody>
</table>


As it is evident from the above table, number of tea estates and area under tea cultivation in India have significantly increased during the period. Volume of production has also been on the rise till 1998; in 1999, the production suffered a decline by 48,173 tonnes compared to the previous year. Although there was a trend towards recovery in 2000, even in 2001, the total tea production in India was significantly lower than the 1999 level. The yield per hectare was also steadily rising (with occasional aberrations) at least till 1997. The average yield at all India level per hectare in 1997 was 1865 kgs per hectare (as against 1461 kgs per hectare in 1981). The yield in the years that followed, i.e., in 1998, 1999, 2000 and 2001 were of course considerably lower than the erstwhile 1997 level.
Table 1(iii) shows the growth of tea exports from India in terms of value and volume, and the average price realization during the period, 1981-2001:

<table>
<thead>
<tr>
<th>Year</th>
<th>Tea Exports from India</th>
<th>Average Price Realisation (Rs. per Kg.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity (in '000 Kg)</td>
<td>(in Rs. '000)</td>
</tr>
<tr>
<td>1981</td>
<td>242,073</td>
<td>4,383,467</td>
</tr>
<tr>
<td>1982</td>
<td>190,693</td>
<td>3,596,380</td>
</tr>
<tr>
<td>1983</td>
<td>209,480</td>
<td>5,226,765</td>
</tr>
<tr>
<td>1984</td>
<td>218,144</td>
<td>7,493,013</td>
</tr>
<tr>
<td>1985</td>
<td>214,937</td>
<td>7,035,904</td>
</tr>
<tr>
<td>1986</td>
<td>204,292</td>
<td>5,900,131</td>
</tr>
<tr>
<td>1987</td>
<td>202,753</td>
<td>6,465,573</td>
</tr>
<tr>
<td>1988</td>
<td>201,747</td>
<td>6,190,034</td>
</tr>
<tr>
<td>1989</td>
<td>212,662</td>
<td>8,489,780</td>
</tr>
<tr>
<td>1990</td>
<td>210,024</td>
<td>11,133,510</td>
</tr>
<tr>
<td>1991</td>
<td>202,912</td>
<td>11,345,533</td>
</tr>
<tr>
<td>1992</td>
<td>174,962</td>
<td>9,953,306</td>
</tr>
<tr>
<td>1993</td>
<td>175,318</td>
<td>11,612,636</td>
</tr>
<tr>
<td>1994</td>
<td>150,691</td>
<td>9,891,469</td>
</tr>
<tr>
<td>1995</td>
<td>167,996</td>
<td>11,208,056</td>
</tr>
<tr>
<td>1996</td>
<td>161,696</td>
<td>12,468,719</td>
</tr>
<tr>
<td>1997</td>
<td>202,995</td>
<td>17,747,781</td>
</tr>
<tr>
<td>1998</td>
<td>210,338</td>
<td>23,094,360</td>
</tr>
<tr>
<td>1999</td>
<td>191,719</td>
<td>19,658,684</td>
</tr>
<tr>
<td>2000</td>
<td>206,816</td>
<td>18,986,119</td>
</tr>
<tr>
<td>2001</td>
<td>182,588</td>
<td>16,821,115</td>
</tr>
</tbody>
</table>

Table 1(iii): Tea Exports from India : 1981-2001

As may be seen from the table, the picture with regard to tea exports from India seems somewhat less impressive. Although the value of tea exports as well the price realization per kg registered significant rise over the years, the quantity of tea exported from India (column 2 in the table) show an erratic trend with marginal decline over the entire period. While the quantity of tea exported in 1981 was 242,073 Th. kgs, the same came down to a level of 182,588 Th. kgs in 2001.

1.3 STATEMENT OF THE PROBLEM

While the growth of the industry during the decades following 1980, in terms of rise in production or in average yield, appears impressive, two facts cannot escape our attention:
(i) growth of production of tea when considered on a year to year basis was marked by violent ups and downs; and
(ii) India's share in the global tea production as well as global exports of tea had been persistently declining since 1950-51. The decline has been particularly sharp in recent years.

Table 1(iv) may be considered in this connection.

<table>
<thead>
<tr>
<th>Year</th>
<th>India's share (%) in World Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Production</td>
<td>Consumption</td>
</tr>
<tr>
<td>1981</td>
<td>29.74</td>
<td>30.61</td>
</tr>
<tr>
<td>1986</td>
<td>26.65</td>
<td>30.83</td>
</tr>
<tr>
<td>1991</td>
<td>28.60</td>
<td>31.85</td>
</tr>
<tr>
<td>1996</td>
<td>28.81</td>
<td>33.63</td>
</tr>
<tr>
<td>2000</td>
<td>28.31</td>
<td>34.22</td>
</tr>
<tr>
<td>2001</td>
<td>27.62</td>
<td>34.26</td>
</tr>
</tbody>
</table>

Source: (i) Tea Statistics, Tea Board India, various issues.
(ii) Tea Digest, Tea Board India, 1999 & 2002.

In fact, Table 1(iv) points clearly to the fact that at a time when both the domestic market and the international market for tea had been witnessing rapid expansion of demand, the Indian tea industry failed to encash this opportunity offered by the favourable market conditions. As may be seen from the Table, whereas in 1981 India accounted for 30.61 per cent of the global consumption for tea, the country's share rose to 34.26 percent of the World's total tea consumption by 2001. Surprisingly, during the same period, i.e., 1981-2001, India's share in World production of tea declined from 29.74 per cent to 27.62 per cent; and the country's share in World tea exports nosedived from 28.38 per cent (in 1981) to only 13.09 per cent (in 2001).

The aforesaid failure of the Indian tea industry to encash the opportunities offered by favourable market conditions in both domestic and the export markets seem surprising because since the later part of the nineteenth century, India had been the world-leader in production and exports of tea. Tea also is the one industry where India continues to

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enjoy till today enormous advantages in terms of her long accumulated experiences, market access and labour skill.\textsuperscript{49}

In the export market as may be seen from Table 1(v) below, while India's share was continuously sliding over time, there were aggressive competitors like Kenya, China who could wrest successfully sizable shares of the market. During the 1981-2001, Kenya's share in world tea exports rose from a mere 8.8 per cent to 18.50 per cent; the share of China likewise moved upward from 10.79 per cent to 17.90 per cent. Over the same period, India's share as mentioned earlier, declined from 28.31 per cent to less than 15 per cent.

\textbf{Table 1(v): Country-wise share of World Tea Export (Per cent)}

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</thead>
<tbody>
<tr>
<td>India</td>
<td>28.31</td>
<td>20.83</td>
<td>18.81</td>
<td>17.21</td>
<td>15.15</td>
<td>15.50</td>
<td>13.09</td>
</tr>
<tr>
<td>Indonesia</td>
<td>8.36</td>
<td>9.29</td>
<td>10.22</td>
<td>3.67</td>
<td>7.73</td>
<td>7.91</td>
<td>7.15</td>
</tr>
<tr>
<td>Kenya</td>
<td>8.88</td>
<td>13.85</td>
<td>17.14</td>
<td>16.82</td>
<td>19.11</td>
<td>16.27</td>
<td>18.50</td>
</tr>
<tr>
<td>China</td>
<td>10.79</td>
<td>17.90</td>
<td>16.27</td>
<td>17.17</td>
<td>15.78</td>
<td>17.07</td>
<td>17.90</td>
</tr>
</tbody>
</table>

Source: (i) \textit{Tea Statistics}, Tea Board India, various issues.
(ii) \textit{Tea Digest}, Tea Board India, 1999 & 2002.

In the domestic market, the problem was of a different dimension. The upsurge in domestic consumption of tea in India created grounds for rapid rise in prices of tea. While the retail prices of tea had been continuously rising during the last two decades, the price level in the auction market (where the producing gardens were offering their products for sale) was subject to violent fluctuations. The over-reliance on auction market and the observed apathy of the tea producers towards the application of innovative marketing practices and distribution channels frequently jeopardized the financial health of the gardens and had adverse impact on the growth of production.

The observed failure, as indicated above, of the Indian tea industry to encash the opportunities both in the domestic and in the export market and hence to actualize its growth potential gives rise to a number of important questions:

(i) How the global tea market as well as the tea market in India had been growing particularly in the recent past?

(ii) How the Indian tea industry has actually performed in the marketing front? To put it otherwise, has the tea industry in India been able to encash the opportunities offered by the favourable market conditions?

(iii) What are the current marketing practices of the Indian tea industry? Particularly, how the industry has been handling the 'marketing mix' in the domestic market and also in the export market?

(iv) How the marketing practices have evolved during the last two decades? What has been the impact of liberalization on the marketing practices of firms? and;

(v) What have been the major marketing challenges faced by the Indian tea producing firms and how at industry level they have responded to these challenges?

In the present study we make a modest attempt to find out the answers of the aforesaid questions.

1.4 OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

i) To examine the performance of the Indian tea industry in the domestic and the global tea-market;

ii) To examine the marketing practices currently being followed by the Indian tea industry with particular reference to the industry's handling of the marketing mix and see how the marketing practices have evolved particularly during the period of economic liberalisation; and

iii) To identify the major areas of weakness in the marketing practices of the Indian tea industry and suggest suitable remedial courses of action.

1.5 HYPOTHESES

The prime objective of the study, as mentioned earlier, is to assess the marketing practices and performance of the tea industry during the period 1981-2001. The process of economic reforms was initiated in India in 1991. Considering this, the study period has been broken down into two sub-periods, 1981-1991 (i.e., the 10 years preceding
economic reforms) and 1991-2001 (i.e., the first 10 years of economic reforms). A comparison of the marketing performance and marketing practices of the tea industry during these two sub-periods is undertaken in order to assess the impact of economic liberalization on the said practices and performance.

The underlying premise or hypothesis throughout the study has been that economic liberalization by triggering shifts in favour of openness, deregulation, increased competition, decision-making-freedom and innovation would lead to significant changes in the marketing practices followed by an industry particularly in handling its given marketing mix.

To be more specific, the study has been guided by the following three tentative and a priori hypotheses:

(i) There has been significant market opening (in terms of increased imports from other countries) during the period of economic liberalization.

(ii) Increased competition in the domestic market has forced the Indian tea industry to be increasingly export-market oriented.

(iii) Appropriate coping strategy has also been adopted by the tea industry in terms of product-diversification, promotional campaign and placing strategy.

To put it otherwise, the above are the three questions which have been extensively investigated in course of the present study.

1.6 SCOPE OF THE STUDY

The study particularly covers the period from 1981-82 to 2001-02. The Tea Marketing Control Order was passed in the year 1984. This particular Order had a far-reaching impact on the marketing practices of tea producing firms, although the full implication of the Order could be felt only since the mid 80s. Considering this, 1981-82 has been taken as the base year for the enquiry. The period selected, i.e., 1981-82 to 2001-02 actually consists of two sub-periods, 1981-82 to 1990-91 and 1991-92 to 2001-02. These two sub-periods are important because a study of marketing followed by the firms in these two sub-periods will enable to us to understand the implications of economic liberalization for the marketing practices of the firms. Moreover, the study consists of the following facts:

First, though study period of this particular work is 1981-2001, in the final findings latest available data and information were incorporated. The continuous changes in the
industry regarding marketing practices and other issues are the reasons behind the incorporation of latest available facts and figures. After 2001 many major remedial steps have been taken by government and industry, so the latest information, beyond the stipulated period of study, was incorporated to assess the most up-to-date scenario in this field.

Second, marketing has two aspects; i.e., domestic marketing or marketing within India and export marketing or marketing abroad. The strategies as well as practices widely differ among domestic marketing and export marketing. While examining the marketing practices, we have made an attempt to cover both the aspects of marketing, i.e., domestic marketing as well as export marketing.

Finally, the marketing practices and performance of the tea industry has been studied mainly at the aggregate level. The study of course has been conducted from the perspectives of the producers. However, apart from producers, there are many other actors (namely, the Auctioneers, Brokers, Wholesalers, Retailers, Trading Houses etc.) in the marketing domain. For the purpose of this study, the strategies and practices of these other actors are kept outside the scope of our enquiry.

1.7 SIGNIFICANCE OF THE STUDY

The tea business in India is arguably the oldest corporatised commercial activity. Most of today's tea companies have their origins in the previous century. After India's independence in 1947, not only there were changes in ownership, but also a distinct decline in profitability and investor's interest in tea. However, recent policy changes emphasizing exports and rapidly rising domestic demand for tea have combined to make for renewed investors' interest in this, most ancient segment of India's corporate sector.

The available literature on different aspects of Indian tea industry includes various survey reports published by Government of India, by the Tea Board and different associations of the industry as well as different studies conducted by some individual scholars and different books. Although not adequate, they furnish a good deal of information on various aspects of tea industry. The literature focus in particular on -

i) the historical aspects of Indian tea industry as well as the different aspects regarding the inception of tea as a famous beverage throughout the world and the cultivation of tea in the different parts of the globe;\(^{52}\)

ii) India's total exports and contribution of tea therein, trade policy and export performance during ongoing liberalization process;\(^{53}\)

iii) role of tea industry in Indian economy, projection of the future tea trade;\(^{54}\)

iv) aspects of growth particularly industrial sickness of some tea estate;\(^{55}\)

v) production process, product quality and grade, varieties of tea plants and production related matters;\(^{56}\)

vi) auction system, marketing and promotional practices prevailing; price determination in the auction centres etc.;\(^{57}\)

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vii) reforms, changing ownership patterns, investment, international competitiveness, challenges and opportunities.\(^{58}\)

However, only few studies have been conducted so far on marketing aspects of Indian tea industry. A cursory glance over concerned literature indicates that the analysis so far has been wanting in at least following aspects:

First, the analysis has been formulated along an overall scenario of the tea industry. There has not been any worthwhile attempt by the concerned investigators to trace empirically the elements of marketing mix. The principles and concepts of marketing management and their implications for the practices followed by the tea industry have not often drawn the due attention from scholars.

Second, marketing practices of the tea industry can be divided into two segments – domestic and export. From its inception, the Indian tea industry is an export-oriented industry. Yet given the size and growth of the domestic market and given the specificities involved, the export marketing practices and the domestic marketing practices should have been examined separately, which was many a times overlooked by the concerned investigators.

Third, due to the ongoing liberalisation process many changes have occurred in the trade policy, bilateral agreements, government regulation etc. But the changes effected in the marketing practices of the Indian tea industry in the context of the changed scenario, have also not been adequately addressed and studied so far.

The present study, within its specified limits, has sought to academically address some of these issues relating to the marketing practices of the Indian tea industry that so far have received scant attention.

1.8 CHAPTER DESIGN

The study has been divided into seven chapters:

Chapter-I introduces the study. The chapter presents a historical profile of the Indian tea industry and specifies the objectives, scope and significance of the study.

Chapter-II delineates the conceptual framework through an extensive survey of literature and specifies the data sources and the methodology.

Chapter-III presents an overview of the growth of Indian tea market and also analyses the scenario prevailing in the world tea market.

Chapter-IV examines the practices as regards the handling of the marketing mix by the Indian tea industry in the domestic tea market.

Chapter-V examines the pattern of handling of the marketing mix by the tea industry in the export markets.

Chapter-VI throws light on the major challenges faced by the tea industry in the marketing front and also the pattern of the industry’s response to these challenges.

Chapter-VI presents the summary of findings with few concluding remarks.