

Indian tea output to attain 1 billion kg milestone in 2014

After recording decline in tea output for three consecutive years, from calendar year CY 2008 to CY 2010, the Indian tea industry has once again embarked on the path of growth. The industry recorded an increase of 2.3% in domestic output in CY 2011 at 988 million kgs, against previous year's production of 966 million kgs (mn kgs). Despite domestic tea consumption growing at an average annual growth rate of 2.5% during the past decade, tea production has grown at a marginal pace of approximately 1.4% during the same period.

The Indian Tea Industry is about 176 years old, and provides employment to nearly 35 lakh workers, of which 65% are employed indirectly, while women constitute 50% of the total worker population. The total area under tea cultivation in India is more than 5.8 lakh hectares, of which 1.62 lakh hectares is cultivated by small growers (with tea cultivated area less than 10.12 hectares). India produces all the three types of tea – CTC tea, Orthodox tea, and Green tea, wherein CTC tea accounted for 88% of total output in CY 2010, while orthodox tea comprised 10%. Globally, India ranks second in tea production after China, and fourth in tea exports following Kenya, China, and Sri Lanka. The top four tea exporting nations including India, account for almost 3/4th of total global tea production.

Tea, being an agricultural commodity, its production is invariably dependent on factors such as rainfall, soil, and other climatic aspects. "The negligible increase in tea planted areas, alongside aging of tea bushes and consequent re-plantation/rejuvenation activities have contributed towards insignificant growth in tea production during the past five years", said Ms. Revati Kasture, Head - CARE Research, CARE Ltd. "In addition, labour shortages, owing to tea workers' reverse migration and absenteeism issues leading to decline in productivity, combined with pest attacks and weather irregularities have exacerbated the dismal tea output scenario", she added.

Though the industry was expecting to reach the coveted *1 billion kg output* milestone in CY 2011, the industry fell short due to unfavourable weather conditions, such as early winter in north-east regions, and rains in southern regions during October to December. Thus, as a result of the above mentioned agro-

climatic and related factors, CARE Research expects tea output to grow at an average annual rate of 0.42% from CY 2012 to CY 2014, to 1001 mn kgs or 1 billion kg by end of CY 2014. According to Mr. Divyesh Shah, Team Leader - CARE Research, CARE Ltd., “The marginal annual rise in output as opposed to expected growth of 2.4% in domestic consumption, would lead to lower exportable surpluses, thus resulting a declining trend in tea exports over the next three years”. Tea exports in CY 2011 were estimated at 187 mn kgs.

On the other hand, coffee, the alternative hot-beverage in India, has found popularity among the nation’s urban youth, owing to mushrooming of coffee bars and organized cafe outlets, and the overall expansion of cafe culture. The total number of organised coffee outlets in India is expected grow from 1600 outlets in CY 2011, to more than 3360 by end of CY 2014. India is the sixth-largest producer of coffee following Brazil, Vietnam, Columbia, Indonesia, and Ethiopia. Coffee as a commodity, has been witnessing its most spectacular phase in recent times, as both domestic and international coffee prices hit record highs in CY 2011, coupled with an all-time high in exported volumes, alongside continuously improving global consumption, growing at 6% annually. The domestic coffee production is expected to increase at a CAGR of 6.2% for the next three years, while consumption would grow at 6.4%.

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