

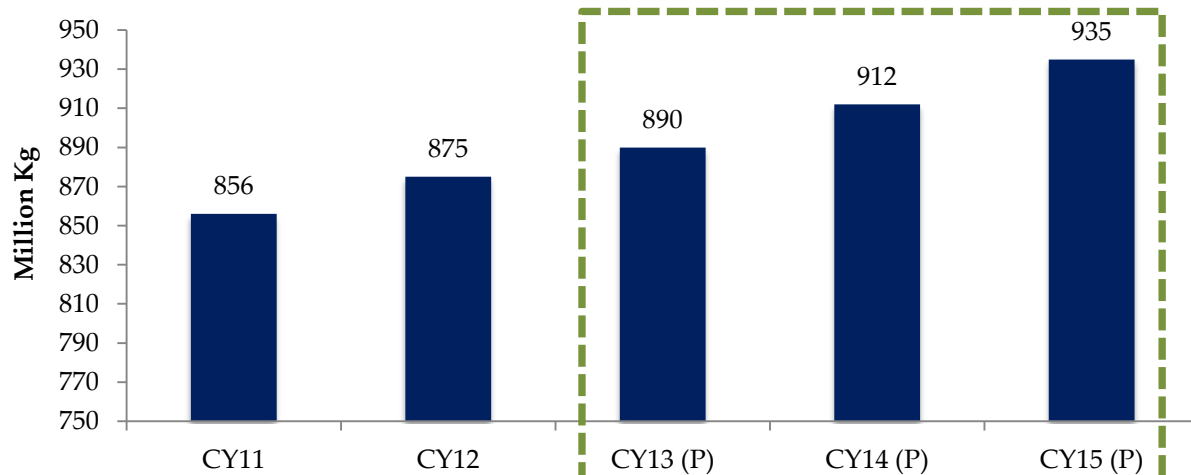
The Indian Tea & Coffee Industry – Coffee to register a higher consumption growth compared to tea ...

Demand for tea in India has remained consistent as tea is being consumed in over 90% of the households as an integral part of the daily routine. On the other hand, coffee, the alternative hot-beverage in India, has found popularity among the nation's youth population owing to mushrooming of coffee bars and organized cafe outlets and the overall expansion of cafe culture in the country.

Tea consumption to grow at a CAGR of 2.2% during the period CY12-15...

During the decade CY02-12, tea consumption in India registered a CAGR of 2.4% to reach a level of 875 million kg in CY12. The per capita tea consumption of tea also increased from 652 grams in CY2000 to 725 grams in CY12 owing to the steady demand. Tea is a highly penetrated beverage in the country and also has alternative such as coffee. CARE Research estimates domestic tea consumption to at grow at a CAGR of about 2.2% in the period CY 12-15 and reach a level of 935 million kg by CY15.

Tea Consumption



Source: CARE Research

(P): Projected

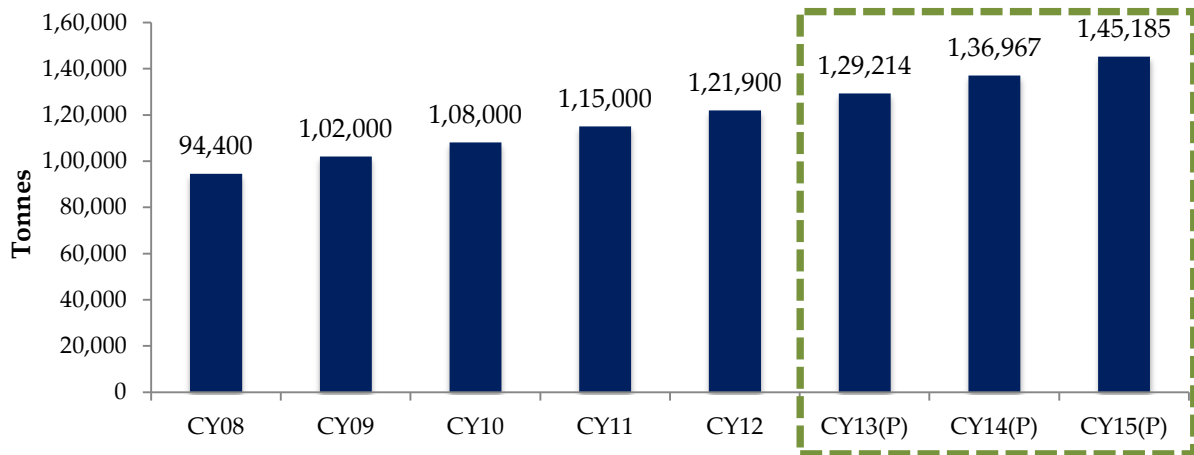
Historically, loose tea demand constituted more than 60% of the total tea market in India. However, with increased branding activities by tea companies, number of choices available for consumers and consistently better quality of the packet tea, the demand of packet tea has witnessed a rising trend over the years. The share of packet tea in total tea consumption

increased from 37% in CY2000 to 48% in CY12. Going forward, CARE research expects packet tea consumption to grow at CAGR of 4% in the period CY12-15 and reach a level of 467 million kg by CY15 capturing a share of about 51% in the total tea market.

Coffee consumption to register a CAGR of 6% in the period CY12-15...

Coffee consumption has seen a robust growth during the past decade. Coffee is being increasingly consumed in cafes and other commercial establishments apart from South India where coffee is readily consumed by households. The key drivers of this growth can be attributed to increase in income along with growing middle class and urbanization. This also led to the trend of emerging café culture in the country. CARE Research estimates domestic coffee consumption to grow at a CAGR of 6% in the period CY12-15.

Coffee Consumption



Source: Coffee Board & CARE Research

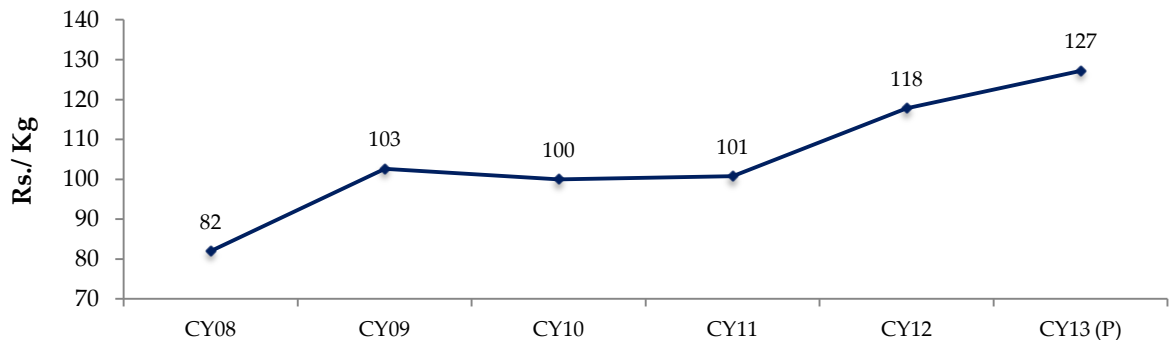
(E): Estimated (P) Projected

Also, the per capita consumption of coffee in India is only about 90 grams. This is considerably low when compared to other coffee exporting nations such as Brazil (6 kg), Colombia (1.8 kg), Ethiopia (2.4 kg) and Vietnam (1.1 kg) among others. This shows the immense potential for the domestic coffee industry to grow.

Domestic tea prices to remain elevated in CY13...

Average auction prices of tea increased by about 16% in CY12. CARE Research expects average tea auction prices to increase by about 7-8% in CY13, owing to lower tea production and passing on of the higher manufacturing cost by the tea producers. Incremental growth in domestic tea consumption compared to production in CY13 and sustained exports will keep tea prices elevated.

Tea average auction price



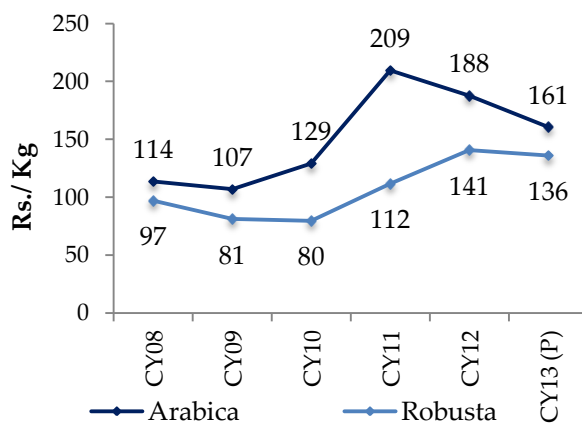
Source: CMIE & CARE Research

(P): Projected

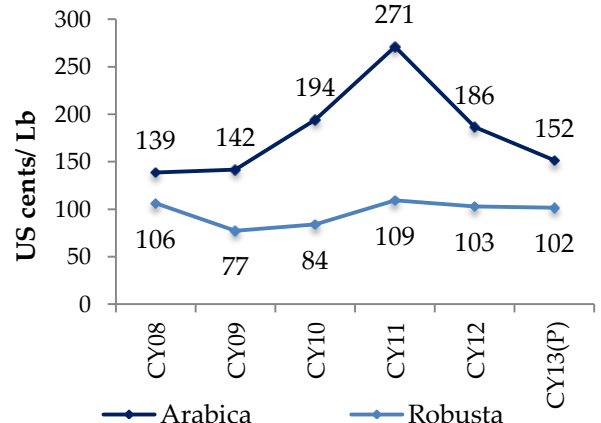
Domestic coffee prices to decline in CY13, in line with international coffee prices...

International coffee prices have a strong influence on the domestic coffee prices. In CY12, domestic price of Arabica variety declined from the peak level in CY11 but the price of Robusta variety increased as the demand pattern slightly shifted to Robusta variety. CARE Research expects domestic coffee prices to remain subdued in CY13 in line with the global coffee price trend.

Domestic Coffee Auction Price



International Coffee Auction Price

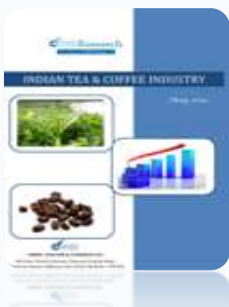


Source: Coffee Board, ICO and CARE Research

(P): Projected

International coffee prices witnessed a significant correction in CY12. The average price of Arabica variety declined to US cents 186 per lb from a peak of US cents 271 per lb in CY11, whereas average price of Robusta variety moderated to US cents 103 per lb compared to US cents 109 per lb in CY11. This fall in price can be attributed to slowdown in demand from the major coffee consuming markets. In the CS12-13, the total coffee production is estimated to be

at 144.6 million bags, an increase of 6% from the previous coffee season. This will continue to exert downward pressure on international coffee prices in CY13.



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