

Production, Consumption and Export of Indian Tea, 1985-2003: A Time-Series Analysis

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This paper analyzes the lag effects of tea exports and consumption on production during the period between 1985 and 2003 by applying Almon polynomial lag model. India's tea exports fail to keep pace with the increase in tea production, particularly in the recent decades. The Indian tea industry has been experiencing spans of upward and downward movements in price realization of manufactured tea due to mismatch between demand and supply, resulting in distortions in production of green tea leaves as well as manufactured tea. As India is a member of the WTO, the import of tea into India ironically cannot be restrained even when comparatively lower prices prevail in the domestic tea market and export realization of tea prices do not commiserate with the cost of tea production.

Introduction

The Indian tea industry, over the past several years, has been facing acute marketing problems, and the survival of the industry is now almost a challenge. Besides, Indian tea industry is in doldrums due to tariff competition from other tea producing countries such as Kenya, China and Sri Lanka. It is widely accepted that due to high cost, poor quality and unremunerative domestic as well as international price realization, the progress of the Indian tea industry is at a very low keel. Again, India has been loosing export market in the current decade due to acute competition from other tea exporting countries. Apart from well-established export marketing nations, namely China, Kenya and Sri Lanka, the new entrants in the international tea market such as Malawi, Vietnam and Indonesia have also attained a remarkable place in the export of tea. Again, the new plantations in Vietnam, Africa and Indonesia are providing low wages to their workers and are able to offer tea at competitive prices in the international markets. As a result, the exports of tea from India are not keeping pace with the domestic production trends. The emergence of such situation has led to declining trend in the export price of Indian tea as well as stagnation in the volume of tea exports. The sustainability of increase in the price of tea in 2008 is doubtful in view of the production trends in the tea producing countries.

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