
INDIA'S TEA INDUSTRY AT CROSSROADS OF SUSTAINABILITY: A STUDY OF EXPORT COMPETITIVENESS OF INDIAN TEA WITH MAJOR TEA EXPORTING COUNTRIES

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ABSTRACT

The Indian tea industry plays a crucial role in the country's economy, being the second-largest employment provider within the organized sector. However, the industry has faced numerous challenges over the years, ranging from local issues to global influences. Since 2004, India has struggled to regain its position as the largest producer and exporter of tea. This study examines the competitiveness of India's tea export sector in comparison to major global tea exporters, utilizing the concept of revealed comparative advantage (RCA) over the period from 1991 to 2020. The findings suggest that while India has experienced a decline in its global position, the tea industry possesses significant potential for growth. With strategic improvements in production, export processes, and global competitiveness, India could reclaim its status as the leading producer and exporter of tea worldwide.

Keywords: Tea, Production, Export Competitiveness, Revealed Comparative Advantage

1. INTRODUCTION

In addition to being one of the greatest producers of tea in the world, India is responsible for around twenty percent of the world's total output. Its enormous plantations, processing plants, and distribution networks provide employment for millions of people. In addition to being a mainstay in tea consumption across the world, Indian tea has long been seen as a symbol of the country's agricultural prowess due to its profound cultural origins and historical significance. The regions of Assam, Darjeeling, and the Nilgiris are well-known all over the globe for their ability to produce unusual tea types that have their own distinct flavours and fragrances. These kinds are frequently sought after by tea enthusiasts. India's tea sector is facing significant problems that threaten its status as a top global tea exporter, despite the fact that it has a long-standing reputation and a significant production capacity. The worldwide tea industry has seen substantial adjustments over the past several decades.

These shifts have been driven by a variety of factors, including shifting consumer tastes, growing environmental consciousness, and greater competition from other countries that export tea, such as China, Kenya, and Sri Lanka. These nations have been successful in capturing increasing portions of the global market by utilising manufacturing methods that are more cost-effective, aggressive marketing strategies, and higher quality standards. The battle of the Indian tea business to remain competitive in the international market is one of the most significant issues it faces. In spite of the fact that India is one of the leading tea-producing countries, the country's share of the global tea export market has been significantly decreasing. In addition to variable production quantities and growing production costs, the key factors include high domestic consumption and fluctuating output volumes.

Additionally, the advent of new tea growers as well as the rise of speciality and organic teas have exacerbated competition, which has forced major exporters such as India to reevaluate their tactics. Not only have economic constraints been brought to the forefront, but worries about sustainability have also come to the forefront, which has an effect on consumer preferences and market access. Increasing consumer knowledge about environmental effect, ethical sourcing, and social responsibility is driving an increase in the demand for teas that are produced in a sustainable manner and have been certified as such anywhere in the world.

Tea plantations in India, many of which are still based on traditional farming methods, are currently facing pressure to adapt environmentally friendly agricultural practices in order to satisfy the ever-changing needs of their customers. Further highlighting the necessity of a sustainable transition within the business is the fact that problems like as climate change, soil degradation, and the usage of pesticides have been brought to light.

The issue that emerges in light of these dynamics is as follows: how can the Indian tea sector improve its export competitiveness while simultaneously supporting sustainable practices? In order to provide an answer to this issue, the purpose of this study is to investigate the present situation regarding India's tea exports, evaluate its performance in comparison to that of key rivals, and investigate the potential for sustainable practices to increase market appeal and long-term viability.

INDIAN TEA EXPORT

The Figure 1, illustrates a cyclical relationship where the export of tea drives growth, which then contributes to the prosperity of the country. This, in turn, boosts foreign exchange revenue and improves the trade balance indicator. The overall process reinforces the country's economic development, highlighting the critical role of tea exports in fostering long-term growth and stability.

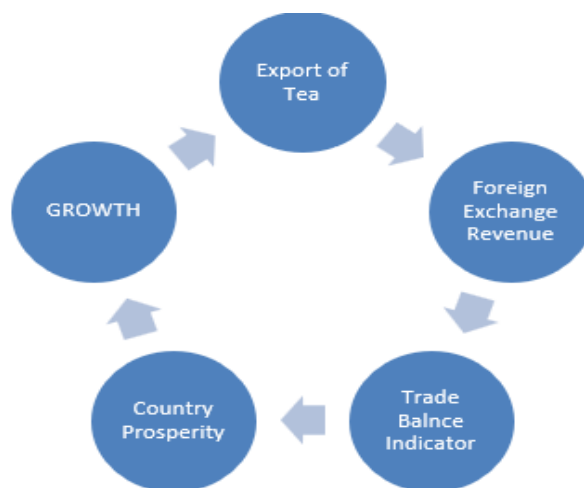


Figure-1

During this period of globalisation, the primary objective of each nation that engages in commercial activity is to penetrate and develop a presence in the worldwide market. In addition, India has been implementing this plan, and as a result, it has been able to establish itself as a credible competitor in the global tea industry. The implementation of this strategy has resulted in the establishment of a separate niche market for a number of tea brands that originate from India. While Darjeeling tea and Nilgiri tea are two of the most well-known brands of tea, Kangra tea is also making significant headway in the global market. Furthermore, India was the top supplier of several of the highest types of tea, including black tea, green tea, and organic tea. This was the case for many years. Black tea is responsible for 97% of the overall exports, whereas organic tea only accounts for 1% of the total exports at this point in time. The worldwide market has a significant opportunity for the manufacturing and sale of organic tea of a high quality. Nevertheless, throughout the course of time, the nation has lost some territory to more developed nations. Since its inception, the tea business in India has always been focused on exports, and it has consistently been confronted with intense rivalry from other nations that produce tea. Since the 1980s, the tea exports from India have been changing and decreasing on a consistent basis; nevertheless, the percentage of the domestic output has been relatively stable at about 21 percent. The decline in India's export competitiveness can be attributed to the availability of low-cost tea from European nations and numerous value-added tea products produced from Vietnam. Additionally, the prices of Indian tea in global markets are significantly higher than those of other teas. The total amount of goods sent throughout the world has increased by 211.7 percent between the years 1961 and 2020. This means that the total amount of goods exported has increased from 592 thousand tonnes in 1961 to 1845 thousand tonnes in 2020. This is a significant growth that demonstrates the significance of tea as an export commodity for the nations that produce the most tea of the world. In addition, this growth is more evidence that the demand for tea is always growing all over the world. India's tea exports, on the other hand, only climbed by roughly 24 percent throughout this era, which is far lower than the global rise in tea exports that occurred during this time period. Furthermore, it was claimed that India's overall proportion in the world's exports decreased from 34.6 percent to 13.8 percent during the same period of time.

2. REVIEW OF LITERATURE

India is the second-largest producer of tea and the fourth exporter at present. The share of export of Indian tea has declined, prices of tea in the global market are at that amount which Indian exporters do not compete and the profitability has reduced which has the major challenge faced by the Indian Tea Industry (Talukdar & Hazarika, 2017). The Pattern of trade after the formation of the World Trade Organization somehow reflects the high cost of production. India is the highest producer and exporter in the 2000 period but gradually lost its position to other countries due to the emergence of low cost producing countries like China, Sri Lanka, and Kenya along with that the internal factor such as unrest in the region also responsible for that declined in the production area expansion (Asopa, 2007). Systematic analysis and sustainable policy intervention are much needed for this industry to maintain its position and compete with the global

forces. (Mitra, 1991). The employment of an average daily number of labor informal sector is more than any industry and after 1991 due to the impact of the global forces, the employment elasticity has come down due to unrest in the area. The export performance of the Indian tea market concerning the world market after economic reform the tea export market is not favorable for the Indian tea market. (Nagoor & Kumar, 2010).

Neglect the development needs of domestic agriculture and manufacturing base mainly SMEs, for the expected gain from the service sector liberalization with ASEAN. Under ASEAN India free trade agreement the trade blocks member will have increased access to the Indian market for semi-processed agriculture products and close substitutes which could adversely affect the country's agriculture sector, it seems India's livelihood and employment are more challenging (Fransis, 2015) The export and export competitiveness of Indian tea was found to have declined against China, Sri Lanka, Kenya and facing the additional possibility of upcoming competition from a few other countries like Nepal, Vietnam, Indonesia, and Africa which recently entered the export tea market, Thus the present study attempts to analyze the export competitiveness of the Indian tea using Revealed comparative advantage (Chaudhry, 2019).

Employment is the key indicator for any industry and in the tea industry the growth rate of average workers employed in the plantations at the India level as compared to the growth of tea estate there is a contrasting result and it shows that the tea estate growth is 127% as compared to only 2% growth in average labor employed in the tea industry and it shows that the employment elasticity is very low in the tea industry (Avinash, 2021)

Research gap

Based on the review of literature there are several studies on the export performance of Indian tea but very few studies focus on the export competitiveness of tea export of the Major Tea exporting using the Revealed comparative advantage.

Objective

To analyze India's tea export performance and assess its competitiveness in the global market relative to major tea-exporting countries.

Data Source

This study utilizes secondary data from 1991 to 2020, obtained from FAOSTAT, the Tea Board of India, and other published sources.

3. METHODOLOGY

Export competitiveness is assessed using the Revealed Comparative Advantage (RCA) index. The RCA index is calculated as a ratio of two shares: the numerator represents the share of a country's tea exports in its total agricultural merchandise exports, while the denominator represents the share of global tea exports in the world's total agricultural merchandise exports.

Balassa's Revealed Comparative Advantage index can be computed as,

$$Rih = X_{ib} / X_{it} \times X_{wh} / X_{wt}$$

Where,

Rih = Balassa's Index of RCA

here, unit has taken = \$1000

X_{ib} = Value of India tea export

X_{it} = Total India's merchandise agriculture trade X_{wh} = Value of world's tea trade

X_{wt} = Total world's merchandise agriculture trade

If RCA > 1, then the country has a revealed comparative advantage in that commodity

If RCA < 1, then the country has a revealed comparative disadvantage in that commodity.

If RCA = 1, then it shows comparative neutrality

Table 1: Revealed Comparative Advantages of Major Tea Exporting Countries as follows

Year	India	China	Kenya	Sri Lanka	Turkey	Vietnam	Year Wise Highest Value of RCA
1991	1.42	2.23	3.47	5.21	6.67	7.59	Vietnam
1992	9.94	2.13	2.97	4.33	1.47	2.08	India
1993	7.74	1.96	2.79	4.63	9.88	2.48	India
1994	7.64	1.45	2.36	4.43	1.1	6.15	India
1995	6.59	1.68	3.31	5.54	8.22	6.19	Turkey

1996	5.54	1.92	3.77	7.14	1.24	1.14	Sri Lanka
1997	1.19	2.76	4.86	9.05	3.99	1.67	Sri Lanka
1998	1.45	3.59	6.71	1.03	4.37	1.57	Kenya
1999	1.01	2.85	5.2	7.42	1.35	1.65	Sri Lanka
2000	1.04	2.67	5.45	8.19	1.91	2.24	Sri Lanka
2001	8.2	2.63	5.01	8.34	1.16	2.33	India
2002	7.5	2.54	6.87	8.5	1.74	2.68	India
2003	7.92	2.99	5.78	1.02	2.22	2.59	India
2004	1.06	4.45	7.16	1.28	2.29	5.94	Kenya
2005	9.67	4.99	8.49	1.36	2.13	6.37	India
2006	9.79	5.91	9.67	1.25	1.92	9.12	India
2007	1.01	7.06	1.15	1.62	3.02	1.56	China
2008	2.01	1.17	2.06	3.44	6.28	2.18	Turkey
2009	1.92	1.07	1.85	3.11	3.83	2.28	Turkey
2010	2.41	1.32	2.77	3.96	5.4	3.55	Turkey
2011	2.5	1.69	2.95	4.63	6.4	5.65	Turkey
2012	1.51	1.73	2.59	4.68	6.92	6.97	Vietnam
2013	2.04	2.41	4.16	6.15	1.13	2.31	Sri Lanka
2014	1.81	2.21	2.72	5.6	1.17	7.73	Vietnam
2015	1.96	1.98	2.66	4.17	1.21	6.83	Vietnam
2016	2.13	2.09	2.63	4.1	1.57	7.55	Vietnam
2017	2.88	2.93	4.74	5.83	1.76	7.72	Vietnam
2018	2.77	3.05	4.34	4.25	8.64	7.58	Turkey
2019	3.09	3.47	3.85	4.48	9.55	8.03	Turkey
2020	2.6	3.91	4.15	5.57	1.09	6.7	Vietnam

Source- Calculated from FAOSTAT

The information presented in Table 1 reveals that, for all years from 1991 to 2020, the RCA values for India and other major tea-exporting countries were greater than 1, indicating a comparative advantage in tea exports. However, a value greater than 1 also suggests that these countries have a stronger comparative advantage than others.

From the computations, the study found that India has lost its advantageous position in tea exports to Kenya, Sri Lanka and Vietnam as we compare based on an index of value of RCA from the year 1991 to 2020.

Furthermore, the findings show that from 2007 onwards, India has continued to lose its comparative advantage. The study also observes that while China and Turkey have maintained an advantageous position in the tea trade, their consistency and performance are not as robust as those of Sri Lanka, Kenya, and Vietnam

4. CONCLUSION

This study examines the export competitiveness of the top six tea-producing countries. Although all these nations exhibit some level of export competitiveness, India is gradually losing its position as a prominent tea exporter.

This decline is primarily due to India's substantial domestic consumption, which limits the volume of tea available for export. Moreover, the Indian tea industry struggles with high production costs compared to other major tea-exporting nations included in the analysis.

These challenges underscore systemic issues that hinder the Tea Board of India's efforts to implement effective policies at the grassroots level. In response, the Tea Board has revised its strategies to bolster India's competitive standing. By addressing these obstacles, India aims to re-establish itself as a leading player in the global tea market in the future.

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