

Bad weather, low output and high prices may spoil 2021 prospects for Indian tea industry

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Indian tea industry is staring at another bleak year in 2021 with inclement weather and high prices threatening to push down both production and exports of the beverage.



The tea community plays a decisive role in almost 40 constituencies in upper Assam.

The year 2020 saw the tea production and export touch a nadir as coronavirus pandemic swept the country disrupting all activities. But the first few months of this year have not produced any relief with production in North India, which accounts for majority of output, showing a decline. The months of March and April recorded 35% and 25% drop in production respectively as compared to the same period in 2019. The production cycle in North India normally starts from February.

The industry reckons 2020 as an abnormal year because of the pandemic. In May, a 25% fall in output is anticipated. "By the time the rains came towards the end of May, the damage has been already been done by the drought. We expect a loss of 60 million kg for the period March to May," said Sujit Patra, secretary of Indian Tea Association.

In the case of South India, the tea production during January-April 2021 was higher by 16.87 million kgs, compared to the corresponding period of the previous year given the better agro-climatic conditions prevailing in the tea growing regions. But Prashant Bhansali, president of The United

Planters' Association of Southern India (UPASI) said comparing the crop with the previous year will be misleading as the production during 2020 was affected by COVID-19 pandemic.

"If the current production trend sustains, we may see South Indian production reviving back to the levels achieved in 2014 & 2015. However, due to second wave of pandemic and its impact in plantations, it is anticipated that the crop to be lower in Kerala in the month of May and Tamil Nadu in June," he said.

Though a normal monsoon has been predicted, the production in the second half of the year will depend on how the weather will sustain. "But many plantations are reporting an improvement in quality of tea produced now. Hence, we expect a better crop after June-July," Patra said. Last year too, the second half of the year saw output improve. Overall tea production stood at 1257.53 million kg in 2020, nearly 10% decline year-on-year, as per Tea Board figures.

The crop shortage has pushed up the Indian tea prices thus nullifying its competitive edge in the global market where Kenya with bumper production and low prices is currently dominating. The crop shortage has caused the Indian CTC tea prices to harden, according to Anshuman Kanoria, chairman of Indian Tea Exporters Association.

The average Indian tea prices rose by over 30% in 2020 to Rs184.69 per kg with the pandemic devastating the industry.

"Around 60% of our export is CTC teas. We have lost market share to Kenya. Iran, which accounts for 50% of Orthodox tea, is having payment issues and is not buying with the same vigour. The situation may continue till US lifts sanctions on Iran," he said.

The first flush of Darjeeling tea, a favoured brand abroad, that comes in March-April was hit by the drought, causing huge loss for the export. The delay in rains has also affected the second flush in May.

India exported 207.6 million kg in 2020, one of the lowest in the recent times compared with 252.1 million kg in the previous year. For the last few years, the export has been stagnating around 250 million kg level. Kanoria expects the export to touch a low of 175-180 million kg in 2021.

Bhansali said logistic issues arising out of the non-availability of food grade containers have hit the exports.

"Though there are increased export orders, the shortage of containers, especially the food-grade containers, had resulted in an increase in the transaction time and cost leading to a considerable delay in completing the export formalities. Needless to emphasise, this could damage the green shoots of recovery seen on the export front," he said.

In the domestic market too, the pandemic has taken its toll. "On top of lower production, the movement restriction due to lockdown has pushed down sales. Moreover, out of home consumption, particularly that in Horeca (hotel, restaurant and catering) sector has declined," said Mathew Abraham, MD of Kanan Devan Hill Plantations Company, the largest tea producer in South India.

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