

Lack of product mix variety, failure to leverage GI tag led to tea exports slowdown: Experts

By: [PTI](#) | June 13, 2021 9:51 PM

According to the report, 91 per cent of India's tea export comprises black tea, only two per cent green tea and the remaining being other preparations of the beverage.

In 2004, Darjeeling Tea became the first-ever GI tagged product in India, and in 2007 Assam Orthodox Tea, too, got the same recognition, the report said.

Shortage of product mix variety, high price of CTC brew and failure to leverage geographical indication (GI) tag in the overseas market are among the many reasons that have led to a slowdown in Indian tea exports, traders and planters said on Sunday.

In contrast, they felt, Sri Lanka, a major competitor of India in the global tea market, has managed to pip its larger neighbour by "concerted marketing efforts".

"We used Darjeeling GI as a tool to legislate and threaten buyers whereas the need of the hour was to promote it with substantial funding on the lines of Colombian coffee and take international buyers with us.

"By not promoting our logos and GI brand, we have alienated buyers to our detriment," Indian Tea Exporters' Association Chairman Anshuman Kanoria told PTI.

He also explained that prices of CTC variety of Indian tea are higher when compared to that of African countries, due to which "we stand to lose 60 million kg of export".

Sujit Patra, the secretary of Indian Tea Association (ITA), said the enforcement of the GI tag regulation in destination countries was the key, but added that logo registration and popularising names of tea varieties in the importing nations were equally important.

"For example, around 8.5 million kg of Darjeeling tea, which is the 'Champagne of teas', is produced in a year, but around 50 million kg is passed off as Darjeeling tea globally.

This is in violation of GI tag regulations. Enforcement of norms and a mechanism to check if authentic Darjeeling tea is sold abroad is necessary," he told PTI.

Darjeeling Tea Association principal advisor Sandip Mukherjee pointed out that tea exports from the north Bengal hills are mostly done privately.

"There is a disparity between well-thought marketing activities by the authorities of Sri Lanka, and lopsided and unorganised efforts by individual exporters," Mukherjee said.

Nepal tea is being sold as Darjeeling tea in domestic and international markets, which is "an infringement to GI tag," he maintained.

“These cases should be dragged to courts with the support of the government. We have raised our voices against such illegal trade but do not have the power to enforce our stand,” Mukherjee told PTI.

During the last decade (2011-2020), India’s tea exports have declined at a CAGR (compound annual growth rate) of one per cent, and the industry was witnessing stagnation even before the COVID-19 pandemic hit the sector, according to a study done by Drip Capital, a global trade finance company.

“...one of the reasons for the slowdown in Indian tea export is the scarcity of variety in product mix,” it said. Indian tea exports generally suffer from a “total lack of vision”, Kanoria said.

“We are happy to get over-reliant on two to three markets. A stable domestic market has been the cause of the lacklustre treatment meted out to tea exports, even though shipment to overseas countries is the key to maintaining the sustainability of the estate and its stakeholders,” he said.

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“It has been observed from the FAO trade data that after Sri Lanka’s Ceylon Tea got the GI tag, the average price of its exports jumped to over USD 4,000 per tonne as compared to USD 2,000-3,000 per tonne earlier.

“However, the GI tag hardly had any impact on the Indian tea prices which has rarely moved above the USD 2,000-3,000 per tonne average range. This could be a result of the way these two countries brand their products in the global market,” the study said.

It also pointed out that although India exported 50 per cent more tea than Sri Lanka in 2019, the value of exports in terms of dollar for both the countries was essentially the same, indicating the stark price difference of the produce in the two countries.

However, Patra contradicted the findings of the report that the value of exports of both countries is almost the same, despite India exporting more tea than Sri Lanka in 2019. In the recent past, the quality of Indian tea has considerably improved, resulting in generation of higher unit price, he claimed.

“What we need is more value-added and speciality tea exports. If one considers the tea export rankings for the last decade, Kenya tops the list with over 500 million kg, China second with around 370 million kg, Sri Lanka third with 280 million kg, while India secures the fourth position with 250 million kg,” Patra said.

According to Mukherjee, tea and tourism are Sri Lanka’s mainstays and there has been a “concerted effort by the industry and the government of the neighbouring country to promote the commodity in international markets”.

“Sri Lanka’s tea industry has complete back-up from its government, while Indian tea exporters do not get similar support from Delhi,” he underlined.

A greater inclination towards green tea could help planters and exporters fetch a better price, the report said. Interestingly, even though China’s total export quantity has only grown by a mere two per cent between 2010 and 2019, its export value grew at a 10 per cent annual rate, the study noted.

“China’s growth can be attributed to its tea industry’s ability to adapt its product mix to match the rising global demand for green tea,” it said. Globally, green tea dictates a higher market price than black tea.

According to the report, 91 per cent of India’s tea export comprises black tea, only two per cent green tea and the remaining being other preparations of the beverage. “Given the pricing advantage green tea enjoys, the Indian tea export market could potentially benefit from a shift towards greater than two per cent proportion of green tea in the mix,” it said.

The Indian Tea Exporters’ Association chairman, however, did not agree with the idea that a shift towards green tea would boost the country’s export. “I don’t agree with the opinion that India has a major opportunity to boost tea exports with green tea, given global output and price of such variety and our own cost of production,” he said.

Another reason to revamp Indian offerings is the need to supply to US consumers who are demanding more ready-to-drink (RTD) tea, the report said. RTD tea is a value-added product that requires manufacturing facilities to process it.

India, at present, does not have enough manufacturing plants that can cater to this new product’s growing demand, the report added.

The ITA secretary said the country has ample opportunity to ramp up its share in the global market with orthodox tea. In the last few years, India has increased orthodox tea output from 80-90 million kg to 130-140 million kg.

“This has helped in boosting exports from 200 million kg to over 250 million kg. Now our target is 300 million kg within next 2-3 years,” Patra said. Usually, CTC and orthodox tea varieties comprise 40 per cent each of the global export market, and green tea accounts for 20 per cent.

“In the orthodox segment, India’s export share is around 10-12 per cent. Though the cost of production of orthodox tea is much higher than that of CTC, the country is capable of producing more than the current orthodox output of around 130-140 million kg,” he told PTI. Orthodox production involves more expertise, higher cost, less productivity.

“One needs to make the right quality and grade of orthodox tea for a specific market. India’s vast domestic market consumes CTC teas. It is a risky affair to produce costly orthodox tea if it is not exported to the global market. This is a dilemma for producers.

“With concerted promotion efforts in the global market, such varieties will help boost export,” Patra added.