

TEA PRODUCTION, CONSUMPTION AND EXPORTS IN GLOBAL AND BANGLADESHI PERSPECTIVE

Tasnuba NASIR

Lecturer, Faculty of Business Administration (FBA),
University of Science and Technology Chittagong (USTC), Bangladesh
tasnuba2003@yahoo.com

Mohammad SHAMSUDDOHA

Department of Marketing Studies and International Marketing
University of Chittagong, Bangladesh
mdsdoha@gmail.com

Abstract:

Bangladesh Tea Industry established in 1840 when a pioneer tea garden was inaugurate on the slopes of the hills of Chittagong, where the Chittagong Club in Bangladesh now stands. The first commercial tea garden was established in 1857 in Mulnichera, Sylhet. During the India-Pakistan partition in 1947, Bangladesh (then called East Pakistan) owned 103 tea estates, covering 26,734 hectares of tea plantation with annual production of 18.36 Million kg with a yield of about 639 kgs per ha. Home consumption was around 13.64 Million kg until 1955. Then after, home consumption went up rapidly, and Government imposed 3% mandatory extension of tea area per annum in 1961. Ten years later in 1970, tea area was extended to 42,658 hectares, and production was increased to 31.38 Million kg. During the liberation war in 1971, tea industry suffered colossal damages, which resulted in poor management, high unemployment, insufficient inputs, dilapidated factory machinery, inadequate maintenance, etc. leading to lower yield and poor quality of tea. Besides that, world tea production has been showing an annual increment of 3% while in Bangladesh, the production has increased by 1.84 % and contributes 1.37 in export in the word tea trade and earns near about 1775 million Taka (Taka 69 = USD 1.00) every year. The study aims to picturize the scenario of Bangladesh tea in the context of world tea, export and import and consumption of tea products in different countries of the world.

Keywords: Tea, Tea Global Scenario, Bangladesh

JEL Classification: :K12

INTRODUCTION

Tea is one of the most important non-alcoholic beverage drinks in the world and has been gaining further popularity as an important 'health drink' in view of its purported medicinal value. It is served as a morning drink for nearly 2/3 of the world population daily. The Bangladesh tea industry is one of the major sources of income for the national exporters. At present, this industry is facing a multitude of problems. Lack of capital and modern machinery, lower market value of tea in comparison to increasing production cost, lower yield per hectare are forcing back to the tea entrepreneurs. Besides that, increasing domestic need and lack of modern techniques for measuring quality of tea constitute some of the main problems as well. There is also the lack of perennial water source for irrigation during dry season or during prolonged drought. In addition, some tea gardens owners are not using Government prescription for improvement. Malnutrition among the children of the labour line, security problems of the executives, deteriorating the law and order situation of the tea estates (log stealing, political or outsider influence on their internal arrangements, illegal occupation of land by the outsiders), lack of medical facilities for labour and lack of infrastructure (road, network, etc.) are some of the other constraints. For successful tea culture, the above problems being faced by both the manufacturing and the marketing sector need to be addressed immediately. In Bangladesh, there is thus dire need to focus attention on improvements in the manufacturing sector covering quality of tea, its productivity, cost of production as well as the marketing system (Islam, 2005). The government tried to revive the sector in the early 1980s by privatizing and rehabilitating two tea estates, which had been nationalized in the 1970s; restructuring the Tea Board; privatizing the six state tea factories; and revamping public research on tea. These policy initiatives have had some success, but much remains to be done to fully revitalize the tea sector. Infrastructure is still inadequate. The tax system is too complex, with too many taxes

and high rates. Despite the restructuring, the Tea Board and the Ministry of Agriculture are still too powerful and trade policy needs to be revised to allow imports of made tea and exports of green leaf.

Objectives of the study

- (a) To focus on the world tea production.
- (b) To review Bangladeshi tea production in the light of world tea producing countries.
- (c) To analyse internal or external markets of Bangladeshi tea.

Methodology of the study

The study covered world most tea producing countries in light of tea production, export, import, internal market, contribution, etc. Secondary data has been used in this study. Secondary data have been collected from different published documents of the Government like Economic Survey Reports, and Statistical Yearbooks. Furthermore, various national and international organizations like NGO, BTRI, World Bank etc. have been reviewed. Furthermore, this study followed archive method. In the analyses process of collected data, various statistical tools like averages, percentages, tables, and diagrams have been applied in order to make the study worthier, informative, and useful for the purposes.

Global Tea Production

World tea production in 2006 was 3,533 million kg with an increase of 3 % (104 million kg) over the previous year's production. Production increased as the production of China increased by 10%. There were also noticeable increases in India, Turkey, Vietnam and Malawi during the year while marginal decreases in crop were recorded in Sri Lanka, Kenya and Iran. Crop in Bangladesh decreased by 11% with records of no rain in the pick crop season, and in Indonesia were down by 10% with reports of some plantations changing over to Palm Oil. The table shows that China was the number one producer of tea in 2006 followed by India, Kenya, Sri Lanka and Turkey. The position of Bangladesh tea production in 2006 is in the tenth position.

Table no. 1. Global Production of Tea 2006 (Million kg)

| Countries | Production (Million kg) |
|----------------|-------------------------|
| 1. China | 1,028 |
| 2. India | 956 |
| 3. Kenya | 311 |
| 4. Sri Lanka | 311 |
| 5. Turkey | 142 |
| 6. Indonesia | 140 |
| 7. Vietnam | 132 |
| 8. Japan | 100 |
| 9. Argentina | 80 |
| 10. Bangladesh | 53 |

Total World tea Production 3533 Million KG (<http://www.teaboard.gov.bd>)

Global Consumption of Tea

World tea consumption is estimated to be 3,437 million kg in 2006. The trend of tea consumption is getting high day by day.

Table no. 2. Global Consumption of Tea 2006 (Million kg)

| Country | Consumption (Million kg) |
|---------------------|--------------------------|
| 1. India | 771 |
| 2. China | 745 |
| 3. Russian Fed | 167 |
| 4. Rest of CIS | 69 |
| 5. Japan | 146 |
| 6. United Kingdom | 135 |
| 7. Turkey | 133 |
| 8. Pakistan | 117 |
| 9. U.S.A. | 108 |
| 10. Egypt | 79 |
| 11. Iraq | 66 |
| 12. Iran | 64 |
| 13. Morocco | 50 |
| 14. Indonesia | 44 |
| 15. Taiwan | 42 |
| 16. Bangladesh | 39 |
| 17. Afghanistan | 34 |
| 18. Other Countries | 405 |

Total World Consumption- 3,437 million kg (<http://www.teaboard.gov.bd>)

Among the mentioned countries, India has become the highest total consumer of tea consuming 771 Million kg followed by China consuming 745 Million kg and the Russian Federation consuming 167 Million kg Bangladesh ranked 14th in terms of a single country total consumption of tea in 2005 consuming 45 Million kg internally. In Table no. 2 of Bangladesh is in the sixteenth position which is significant in terms of country size and its population. This means that Bangladesh has its significant demand of tea in its internal market as well.

Global Export of Tea

Total global export of tea in 2006 was 1,572 million kg of which Bangladesh exported only 4.97 million kg.

Table no. 3. World Export of Tea in 2006 (Million KG)

| Country | Export |
|---------------------|--------|
| 1. Sri Lanka | 315 |
| 2. Kenya | 314 |
| 3. China | 287 |
| 4. India | 201 |
| 5. Vietnam | 106 |
| 6. Indonesia | 95 |
| 7. Argentina | 71 |
| 8. Malawi | 42 |
| 9. Uganda | 33 |
| 10. Tanzania | 24 |
| 11. Zimbabwe | 11 |
| 12. Turkey | 6 |
| 13. Bangladesh | 5 |
| 14. Taiwan | 2 |
| 15. Other Countries | 39 |

Total World Export of Tea- 1,572 million Kgs. Source: <http://www.teaboard.gov.bd>

India, Sri Lanka, Vietnam and Argentina ended the year with higher exports while exports from Indonesia, Kenya and Bangladesh dropped. Export from Bangladesh declined about 88% from 9.01 M.kg in 2005 to 4.79 M.kg. in 2006 mainly due to the increase of internal demand that increased the local auction prices. Interestingly, Sri Lanka ranked first as its internal consumption is increased significant volume rather than Kenya, China, India, Vietnam.

Production of Tea

Approximately, twenty five countries are producing significant amounts of tea in the world tea market.

Table no. 4. Productivity of Tea (kg/ha)

| Country | Kenya | India | Japan | Turkey | Sri Lanka | Bangladesh | China | Indonesia | Argentina |
|--------------|-------|-------|-------|--------|-----------|------------|-------|-----------|-----------|
| Productivity | 1,934 | 1,743 | 1,745 | 1,494 | 1,450 | 1,102 | 627 | 1,006 | 1,538 |

Source: *Islam, 2005, ITC*

Bangladesh Perspective of Tea

Bangladesh Tea Research Institute (BTRI) has produced interesting information regarding tea production in Bangladesh at different stage since 1947. It shows that great success came to this industry in 1970. Thereafter, Bangladesh failed to achieve its targeted figure due to bureaucracy, policy, financing and marketing problems, failed to adapt the new technology etc.

Table no. 5. Tea production in Bangladesh at different periods

| Year | Total Area (ha) | Increased/ Decreased | Total Production '000 Kg | Increased/ Decreased | Yield Kg/ha | |
|------|------------------|-------------------------|-----------------------------|-------------------------|----------------|-------|
| 1947 | 30353 | - | 18884 | - | 62 | - |
| 1957 | 31287 | + 934 | 25549 | + 6665 | 817 | + 195 |
| 1970 | 42688 | + 11401 | 31381 | + 5832 | 735 | - 82 |
| 1980 | 43732 | + 1044 | 40038 | + 8657 | 916 | + 181 |
| 1992 | 47781 | + 4049 | 48930 | + 8892 | 1040 | + 124 |
| 2000 | 48735 | +954 | 55834 | + 6894 | 1145 | + 105 |

Source: *BTRI [5]; * Difference from previous total denoted by (+) or (-) sign. ** calculated on the basis of production/total tea area/ha*

Table no. 6. Tea Area and Yield since 1947

| Year | No. of Tea Estates | Area Under Tea (ha) | Pluckable Area (ha) | Production (In Million kg) | Yield (kg/ha) |
|------|-----------------------|------------------------|------------------------|----------------------------------|------------------|
| 1947 | 103 | 28,734 | 28,734 | 18.36 | 639 |
| 1960 | 127 | 31,418 | 30,744 | 19.01 | 618 |
| 1970 | 153 | 42,685 | 39,308 | 31.38 | 798 |
| 1980 | 153 | 43,528 | 43,201 | 40.04 | 927 |
| 1990 | 158 | 47,385 | 44,759 | 46.16 | 1,031 |
| 2000 | 160 | 50,470 | 46,344 | 53.15 | 1,147 |
| 2005 | 163 | 52,317 | 45,366 | 60.14 | 1,326 |
| 2006 | 163 | 52,407 | 45,505 | 53.41 | 1,174 |

Source: <http://www.teaboard.gov.bd>

Table no. 7. Land use Pattern for tea Industries in Bangladesh

| Total Area (in hactor) | | Non Tea Area (in ha) | |
|--------------------------|-------------|----------------------|-----------|
| a. Total land area | 1,15,629.76 | 1. Paddy land | 12,893.67 |
| b. Total tea area | 52,407.22 | 2. Other crops | 1,027.72 |
| c. Total non-tea area | 63,222.54 | 3. Forest | 15,462.39 |
| d. Area suitable for tea | 61,289.81 | 4. Infrastructure | 7,299.96 |
| | | 5. Fallow/waste | 4,867.32 |
| | | 6. Others | 3,099.68 |

Source: *Bangladesh Bureau of Statistical Year Book (BBS, 2006)*

Different Categories of Tea management

One sixty three (163) tea estates are managed by five different categories of managements in Bangladesh which is as follows:-

- (i) Sterling Companies
- (ii) National Tea Company
- (iii) Bangladesh Tea Board
- (iv) Bangladeshi Private Limited Companies
- (v) Bangladeshi Proprietors

Table no. 8. Management wise Land use & production (2006)

| Category of Management | No. of Tea Estates | Grant Area (ha.) | Tea Area (ha.) | Land Use (%) | Production (2006) | Yield (Kg./ha.) |
|------------------------|--------------------|-------------------|----------------|--------------|-------------------|-----------------|
| Sterling co. | 28 | 39,386.02(34%) | 20,219.16 | 51% | 24,027,525(45%) | 1,188 |
| BTB | 3 | 2,559.39(2%) | 1,445.55 | 57% | 1,536,480(3%) | 1,063 |
| NTC | 13 | 11,279.95(10%) | 5,583.66 | 50% | 4,760,300(9%) | 852 |
| Deshi co. | 61 | 40,652.05(35%) | 15,716.65 | 39% | 15,815,700(30%) | 1,006 |
| Propriety | 58 | 21,656.00(19%) | 9,345.85 | 43% | 7,205,119(13%) | 771 |
| Total | 163 | 115,553.41(100%) | 52,310.87 | 45% | 53,345,124 | 1,020 |
| Small Holdings | | 96.35 | 96.35 | 100 | 62,615 | 650 |
| Grand Total | 163 | 115,629.76 (100%) | 52,407.22 | 45% | 53,407,739(100%) | 1,019 |

Source: *Bangladesh Bureau of Statistical Year Book (BBS, 2006)*

Table no. 9. District wise Tea Land and Tea Production(2006)

| District | No. of Tea Estates | Grant Area (ha.) | Tea Area (ha.) | Land Use (%) | Production (2006) | Yield (Kg./ha.) |
|----------------|--------------------|-----------------------|----------------|--------------|-------------------|-----------------|
| Moulvibazar | 90 | 64,624.34(56%) | 30,995.93 | 48% | 31,684,507(60%) | 1,022 |
| Habiganj | 23 | 22,034.00(19%) | 11,606.51 | 53% | 13,178,834(25%) | 1,135 |
| Sylhet | 19 | 11,514.73(10%) | 4,968.33 | 43% | 4,970,834(9%) | 1,000 |
| Chittagong | 22 | 15,152.38(13%) | 4,048.77 | 27% | 3,265,651(6%) | 807 |
| Rangamati | 1 | 307.00(-%) | 146.00 | 48% | 24,566(-%) | 168 |
| Brahmanbaria | 1 | 62.52(-%) | 29.95 | 48% | -(-%) | - |
| Panchagarh | 7 | 1,838.44(2%) | 515.38 | 28% | 220,732(-%) | 428 |
| Total | 163 | 115,553.41(100%) | 52,310.87 | 45% | 53,345,124 | 1,020 |
| Small Holdings | | 96.35 | 96.35 | 100 | 62,615 | 650 |
| Grand Total | | 163 115,629.76 (100%) | 52,407.22 | 45% | 53,407,739(100%) | 1,019 |

Source: *Bangladesh Bureau of Statistical Year Book (BBS, 2006)*

Export Market:

Tea has been one of the major exportable items of Bangladesh since 1971. We had a captive export market in some countries to export tea. The scenario has been changed in recent years because of open market economy, emergence of new entrants in the world market with low priced tea and rapid increase of internal demand. Export of Bangladesh tea in the year 2005 was 9.09 million kg which was 30.66% less than the previous year export of 13.11 million kg. Export earning was 742.62 million taka against 934.04 million taka the previous year. Of the exported quantity 6.57 million kg was sold to Pakistan alone. The Govt. of Pakistan allowed duty free entry of 10.00 million kg of tea per year from Bangladesh since October 2002 and offered to increase the quota up to 15.00 million kg. But Bangladesh could not utilize that quota fully as increasing internal demand pushes the price levels up in the local auction and discourages exports. Other tea producing countries like India, Srilanka, Indonesia, Vietnam, Kenya and some other African countries have relative advantages to supply better quality teas at lower prices that makes export market extremely competitive for Bangladesh Tea.

Internal Market-Internal consumption

Internal Market: Tea is supplied in the internal market in three ways (i) buying tea from the auction paying 15% VAT on the auction value known as internal account buying, (ii) buying tea from the auction for export at nil VAT known as external account buying and subsequently transferring to the internal account and (iii) tea supplied directly from the tea estates with prior permission of the Tea Board.

Table no. 10. Internal Tea Consumption

| Year | Quantity (in Kg.) |
|------|-------------------|
| 1997 | 22.20 |
| 2000 | 38.79 |
| 2003 | 37.44 |
| 2006 | 40.51 |

Source: Bangladesh Bureau of Statistical Year Book (BBS, 2006)

Table no. 11. Export last 10 years

| Year | Total Export (M.kg) | Value | |
|------|---------------------|----------|-----------|
| | | M.taka | M.dollars |
| 1997 | 25.15 | 1,775.39 | 38.21 |
| 2000 | 18.10 | 1,205.20 | 20.76 |
| 2003 | 12.18 | 915.07 | 15.64 |
| 2006 | 4.79 | 469.59 | 6.69 |

Source: Bangladesh Bureau of Statistical Year Book (BBS, 2006)

CONCLUSION

Tea is one of the most popular drinks in the world population. Nowadays, different companies are trying to increase its value added products like cold tea, ice tea, lemon tea etc. so that tea can be a supplements as like regular drinks. But most of the countries like Bangladesh, Kenya, and Zimbabwe failed to adapt with the changes of application and its technologies. For this reason, they are quite unsuccessful to generate optimum quantity of value added tea products to compete with the other global tea producing forces. The way this drink getting popularity, the production of such item failed to meet the requirements. Finally, these analyses are helping us to depict the real

pictures of world tea demands, productions, exports and imports. At last, there are so many issues relating to world tea industry needs to get attention by the appropriate researcher to dig out the problems for the ultimate solutions. Future research can be done on market expansions, changes of demands, pattern of modern consumptions, value added products etc.

REFERENCES

1. Bangladesh bureau of statistics. Ministry of planning, government of People's Republic of Bangladesh, pp.81 & 327. Dhaka, Bangladesh.
2. BBS. 2008. Statistical year book of Bangladesh.
3. BTRI. 2003. Biennial report. Bangladesh tea research institute, government of people's republic of Bangladesh, pp. 94-98, Srimangal, Moulvibazar, Bangladesh.
4. <http://www.teaboard.gov.bd/index.php?option=historyteaarea>.
5. Islam G M R et. Al, 2005, *Present status and future needs of tea industry in Bangladesh*, Pakistan acad. Sci. 42(4):305-314.2005
6. ITC. 2001. International tea committee report 2001.
7. Khisa, p. And Iqbal, i. 2001. *Tea manufacturing in Bangladesh: problems and prospects*. Proceedings of the international conference on "mechanical engineering", 26-28 December 2001, department of mechanical engineering, Bangladesh university of science and technology, Dhaka.
8. Mondal, T.K., Bhattacharya, A. And Ahuja,P. S., 2002. *Induction of synchronous secondary embryogenesis of tea (camellia sinensis)*. J. Plant physiol. 158:945–951.