

## **MARKETING AND COMMERCIAL NATURE OF TEA**

**Name- Satyendra Kumar Singh**

**Bharati Hindi Vidyalaya(H.S), Siliguri, Darjeeling, West Bengal**

Tea cultivation bears commercial character, both in its production and trade. From the beginning of its cultivation, input stakes with commercial attitude as it intends to maximize benefit with minimum cost on labourers. The marketing nature of tea differs from other commodities and, therefore, the chapter concentrates on its commercial and character, nature and area of trade, national and international trade areas, nature of marketing and prospects of tea.

(A) Commercial Nature of Tea:

Since the inception of tea plants as first trial in 1841 in Darjeeling Hill area it grew rapidly over time. But, it was 1856 when the first commercial plantation was introduced at Kurseong and another at Darjeeling by Captain Sander. By this year the industry began to be developed on an extensive scale especially on the lower slopes, as it believed that the elevation of the Darjeeling was too high for the plant to very productive.<sup>1</sup> The year 1856 may accordingly to be taken as the date at which the industry was established as a commercial enterprise.

With the aim of expanding tea cultivation in the Darjeeling hill area the British Administration enacted policies whereby the tea planters / producers could grow tea without paying revenue taxes. Thereby, the Darjeeling district acquired a special state under which it was designated as a non-regulated district which prompted the growth of tea plantation on commercial basis, because, this made the cultivation of tea in large hectares of land. Subsequently, in order to encourage more people to invest in tea industry, the British Administration made land available at low price, often selling through open auction. This enabled the highest bidders to acquire land for cultivation of tea or expand their existing tea land. This was one of the main reasons for the expansion of the tea cultivation land as well as number of tea estates in the Darjeeling hill region on commercial basis. It is important to mention that the impact of such provision led the tea industry grow commercially over time with expansion of land area and tea states.

**TABLE----7.1**  
**Expansion of Land Acreage For Tea**  
**Plantation**

Year	No. of tea Estates	Area in Hectares	Area in Acres
1852	01	4.32	10
1860	04	-----	
1866	39	3000	7413
1870	56	4400	10072
1874	133	11000	27181
1885	175	-----	48607
1895	186	19671	50531
1905	146	20450	
1943	142	6693	52076
1951	138	7376	16538
1971	97	7272	18226
1985	86	7272	17969
2000	86	17453	43126
2001	87	17463	43151
2002	87	17580	43440
2003	87	17522	43296
2004	87	17539	43338
2005	87	17542	43346
2006	87	17542	43346
2007	87	17542	43346

It is evident from table-7.1 that commercial attitude of the British led tea plant to grow and develop on account of climatic and physical conditions in the Darjeeling hill region. It resulted into fast increase in area of tea plantation for which facilities were provided by the British Administration. Thereby, the number of tea estates grew sharply from 01 in 1856 to 1895 and measures were also taken to increase the production. Thereafter, the number of tea gardens shows decreasing tendency, but the area under plantation increased over time. The number decreased due to coalescing of gardens, but is commercially facilitated enterprises in good management, investment and production.

Tea is highly commercial for the reason that a large number of producers are engaged in tea cultivation. There are 56 companies which are engaged in tea cultivation with 87 tea estates in the Darjeeling district itself. These are the listed companies which have been mentioned in table 7.2.

TABLE 7.2

List of Darjeeling tea producers

- 1 Allobari Tea Estate
- 2 Ambari Tea Co Ltd
- 3 Anand Gopal Tea Co Ltd. (Darjeeling ) Pvt Ltd
- 4 Andrew Yule & Co Ltd
- 5 Arya Tea Co Ltd
- 6 Asha Tea Company (P) Ltd
- 7 Avon Tea Co Ltd
- 8 BD Tea Estate (P) Ltd
- 9 Bagaria Business Pvt Ltd
- 10 Bio T. Es Ltd
- 11 Birla Tea Ltd
- 12 Camellia Tea Group Private Ltd
- 13 Darjeeling Consolidated Tea Co Ltd
- 14 Darjeeling Tea & Chinchona Asson Ltd
- 15 Darjeeling Trading Ltd.
- 16 Dears Tea Co Pvt Ltd
- 17 Dix Ltd
- 18 Dooteriah & Kaleir Valley Tea Pvt Ltd
- 19 Duncans Industry Ltd
- 20 East Indian Produce Ltd

21 Gidhapahar Tea Estate

22 Goodricke Group Ltd

23 Gopaldhara Tea Co (P) Ltd

24 Happy Valley Tea Co (P) Ltd

25 Jayshree Tea & Industries Ltd

26 Jogamaya Tea Estste Pvt Ltd

27 Jute & Stores Ltd

28 Kanchaan View Tea Estate

29 Kanoria International

30 Laktaria (India ) Pvt. Ltd

31 Lopchu Tea Co Ltd

32 Mahanadi Tea Co Pvt Ltd

33 Makibari Tea & Trading Co Ltd

34 Monteviot Tea Co Ltd

35 Moondakotee Tea Co Pvt Ltd

36 Mullotar Tea Pvt Ltd

37 Nagari Farm Tea Co Ltd

38 Nurbong Teaq Pvt Ltd

39 Okayti Tea Co Pvt Ltd

40 Phuguri T.E Pvt Ltd

41 Poobang Tea Company Ltd

42 Prabhujee Plantation Pvt Ltd

43 Ringtone Tea Co Pvt Ltd

44 Sampad Vikash Ltd

45 Selimbong Tea Co Ltd

46 Sepoydhoorah Tea Co Ltd

47 Singell Tea & Agriculture Inds. Ltd

48 Snow View Tea Co (P) Pvt Ltd

49 Sivitar Tea Estate Pvt Ltd

50 Sombari Co Ltd

51 Sona tea Ltd

52 Soureni Plantation Pvt Ltd

53 Sycotta Tea Co Pvt Ltd

54 Teesta Valley Tea Co Ltd

55 The Managing Director West Bengal Tea Development Corpn .Ltd

56 TiruTea Ltd

Source:Internet,Teaaucaution.com.

Since Darjeeling tea has its aromatic especiality which is demanded in international market, the companies mostly are engaged to produce better quality of tea which can face competition in market. But, the companies face certain restriction because of large capital investments, long gestation, stringent labour laws and restrictive land ownership laws. Secondly, high average age of tea bushes effects on productivity and cost adversely to tea production and marketing.

(B) Nature and Area of Trade

Nature of trade in tea differs from the general trade of commodities. It is guided by the geographical condition of production and its trade areas .It is important that the tea produced

in tropical areas, while its demand comes from temperate and extra temperate regions or countries of the world. It is one of the vital factors that dictates the nature of trade in tea. Secondly, the trade is largely dictated by auction for which there are certain fixed points in India and also in other countries.

India is the largest producer and consumer of tea in the world . It is also the largest manufactures and exporter of tea machinery and hence after major tea producer countries sources equipment and technology. As regards tea production in India, it is spread in large areas from northern Himalayan zone to South India hilly zone. It is mainly spread in Assam, West Bengal, Tamilnadu, Kerala and Karnataka and with a little proportion in Sikkim, Arunachal Pradesh, Tripura, Uttaranchal, Himachal Pradesh, Manipur, Nagaland, Meghalaya, Mizoram, Orissa etc. All these areas acquire tropical characteristics, but nature of production, distribution and quality of tea differ from one area to the other. The difference in production and quality of tea differentiates in demand and trade, therefore the demand of this is high within India and abroad. However consumers in different parts of the country have heterogeneous taste. In this regard dust tea is very popular in south India. The regional preference of tea differs, such as a good quality tea is preferred in Gujarat, whereas Maharashtra packet and unbranded tea are preference by a large number of consumers and the large part in North Indian states, particularly in West Bengal and Orissa, CTC tea is preferred. This affects the trade and marketing at regional level.

**Table-7.3**  
**Production and Marketing of Darjeeling**  
**Tea in auction,2002**

Sl. No.	Auction Centre	Quantity in 000kgs	Percent to production	Darjeeling Production (in000kg)	Year
01	Kolkata	5270	57.41	9180	2002
02	Guwahati	01	00.01		
03	Siliguri	04	00.04		
( A )	Total	5275	57.46		
01	Kolkata	5325	55.57	9582	2003
02	Guwahati	-----	-----		
03	Siliguri	-----	-----		
( B )	Total	5325	55.57		
01	Kolkata	5555	55.19	10065	2004
02	Guwhati	-----	-----		
03	Siliguri	-----	-----		
( C )	Total	5555	55.9		
01	Kolkata	5533	48.91		2006
02	Guwhati	-----	-----	1132	
03	Siliguri	--	-----		
(D)	Total	5533	48.91		
01	Kolkata	6122	56.40	10854	2006
02	Guwhati	-----	-----		
03	Siliguri	-----	-----		
( E )	Total	6122	56.40		
01	Kolkata	5496	48.40	11356	2007
02	Guwhati	-----	-----		
03	Siliguri	-----	-----		
Total	Total	5496	48.40		

Source: Internet, Teauction.Com.

Most of tea trades go with auction. There are six tea auction centers in India which trade in tea. These auction center are Kolkata, Coonor, Amritsar, Guwahati, Siliguri and Coimbatore. It is evident from table-7.3 that nearly 50% of tea production in Darjeeling come to the market for auction, particularly in Kolkata center. It is mentionable that production of tea in

Darjeeling contributes about 01% of total production of tea India, and importantly, Indian tea production shares 31% (2010) of the global tea production. Therefore, the contribution of Darjeeling tea to the Indian tea production is very meager, but due to its aroma and tasty flavor creates high demand in world market.

(C)National and International Trade:

India is not only the largest consumer and producer of tea, but is the largest manufacture and exporter of tea and machineries in the world. Tea is grown in 16 States in India of which Assam, West Bengal, Tamilnadu and Kerala account 96 % of the total tea production, but tea from Darjeeling, Assam and Nilgiri are famous for the distinctive quality worldwide. The range of tea offered from the original Orthodox to CTC and Green tea is high, but the aroma and flavours of Darjeeling tea is unparalleled in the world, therefore, the tea from Darjeeling is highly demanded in the Indian as well as in the world market.

In the pre-Independence period, the direction of India 's foreign trade was determined not according to the comparative cost advantage of India, but by the colonial relation between India and Britain. In other word, it was Britain that decided from which countries India could import its requirements and to which countries it could export the products. Naturally a major part of India's trade was either directly with Britain or its colonies or allies. This pattern continued from some year after Independence as well since India had not till then explored the possibilities of developing trade relation with other countries of the world. After Independence significant change in the direction of export occurred with the expansion of trading relation with Japan, West Germany and U.S.S.R which declined the dependence on the U.K considerably.

Darjeeling tea in India is unmatched in terms of its aroma and quality, but its production does not meet the demand it bears. Altogether the internal consumption and external demand of tea are 02 to 03 million kgs in India and around 20 million kgs out side India in which include a meager quantity of Darjeeling tea supply. The production of Darjeeling tea is 11356 thousand kgs (2007) which does not fulfill the demand. The sale of Darjeeling tea goes mostly with auction. There are four registered brokers at Kolkata, namely J.Thomas and Co.Ltd, Carritt Moran and Co., Contemporary Target and Paramount Tea Marketing which together sell the majority of Darjeeling Tea.



**Table—7.4**  
**Production and Export of India Tea**

Sl.	Year	Production in million kgs	Export in mm kg
01	1986	620.8	204.3
02	1987	665.3	202.7
03	1988	600.0	201.7
04	1989	688.1	212.7
05	1990	720.3	210.0
06	1991	754.2	202.9
07	1992	732.3	175.0
08	1993	760.8	175.3
09	1994	752.9	150.7
10	1995	756.0	168.0
11	1996	780.0	161.7
12	1997	810.6	196.4
13	1998	870.4	204.1
14	1999	805.6	190.2
15	2000	826.0	200.8
16	2001	847.0	177.6
17	2002	854.0	181.6
18	2003	838.0	174.2
19	2004	857.0	174.7
20	2005	830.7	159.1
21	2006	892.7	181.3
22	2007	949.2	N A
world		3871.34	1629.18

( Source: Internet, Teaauction.com. )

Indian share to international trade in tea is not high as it enters about 182 million kgs world market, whereas total transaction of world tea comes to about 1630 million kgs. The annual tea production in India has been about 800 million kgs . So, the surplus tea in India is about 200 million, of which most parts enter into world market It is evident from table -7.4 that India enters about one-fourth of its tea production in the world market and the rest of production is met with local market in the country.

(D)Marketing Nature and Tea:

Marketing of tea products is an integral part of tea plantation. Marketing of tea is the outcome of its production wherein a number of factors and environment play important role, such as ownership of tea estates, labour related issues, land its policy, age of tea plant, impact on ecology, land degradation, production cost, profit, consumption and demand, market prices, marketing policy etc.

At the early stage of tea plantation, the Govt. offered land to indvestors on favourable terms to develop tea plantation and its industry. . This act of Govt. facilitated develop the industry in the hills more rapidly as the suitability of the soil and climate to the growth of tea favoured the industry. However, it is the Govt. that has the ultimate ownership of the plantation land. The post Independence scenario changed and according to the West Bengal State Acquisition Act (1953) the Govt. leases land for 30 years. Under the terms and conditions, companies, proprietors or individuals leasing the land become the official owners of the land as long as the revenue taxes and land rent are paid. Moreover, the incumbent owners are endowed with the power to sell the plantation to a new buyer during their ownership period. The owners are part of the plantation assets that is sold or brought from one owner to the other. However, they have no proprietary right on land. It's mentionable that in the early period the nature of land ownership facilitated the industry and thus, it could be able to have positive marketing effect, but as the time passed and the regulation regarding land ownership got changed from time to time it affected the industry and cost of tea plantation or cultivation.

(E) Prospect of Tea Industry:

When the East India Company captured political power 1757, the Indian economy was basically feudal. The company indulged in direct plunder under the guise of trade because its primary objective was to earn profit from overseas trade. With a view to such intention, the East india company apprehended industrial prospect in tea plantation in the country. Since the Darjeeling hill area was virgin land with utmost natural suitability for tea cultivation, the British

started its plantation with its subsequent production, which tookover as an industry and thereby, it indulged, it indulged into international trade with British monopoly. The development of the industry in the hill had been more rapid as the suitability of the soil and climate to the growth of tea was apparent. Thus during the pre-Independence period the tea industry ran successfully with high monopolistic trade as British wished.

Notwithstanding, recently more and more tea has been sold through forward contracts and private sales. The benefits of this to producers is often considerable as they get payment faster, having less uncertainty about sales and price. This system also appeals to buyers because it guarantees faster delivery of goods. "Green Tea" which is enjoying a growing popularity, especially in western countries.

#### Reference

1. O' Malley.Lss (2007), Bengal District Gazetteers. Darjeeling.p.92
2. Ibid, p.93