

IMaCS has brought out an Industry Update on the Indian Tea Industry, July 2014. The full report is available at <http://www.imacs.in/reports/index.php>

EXECUTIVE SUMMARY

- India's tea production has increased at a 3-year annual average of 7.5% to 1,200 million kg (mkg) in 2013. By comparison, domestic consumption has increased at a corresponding annual average of 2.1%. Exports have increased at a 3-year CAGR of 0.4% during 2011-13. In value terms, annual average export growth has been higher at 12.5% because of increase in realisations.
- India's tea consumption increased 2.5% in 2013, with growth forecast at 2.8% in 2014. Over the long-term, tea is also expected to face increased competition from coffee, the consumption of which has increased at a 5-year CAGR of 5.8%.
- Because of expected decline in domestic production during 2014, higher domestic production in China and Kenya, and expected slowdown in world consumption growth; India's exports could remain at around 200-210 mkg in 2014. However, tea production could decline in Sri Lanka thereby increasing demand for Indian tea. Drought conditions are likely to hamper output in Sri Lanka in 2014, with plantations in both high- and low-lying areas affected. In Kenya, production growth could slow down from post-drought rebound of 18% in 2013 to 2% in 2014. Although world tea prices are forecast to decline during 2014, export realisations for Indian exporters could improve because of the recent substantial depreciation of the rupee. World net imports of tea could rise at a lower rate in 2013-14. World consumption of tea could increase at a higher rate in 2014 caused by improved world growth outlook, decline in tea prices, and recent sharp decline in coffee prices.
- Growth in global tea consumption slowed down from 4% in 2011 to 3.2% in 2012 and was 3.1% in 2013, reflecting weak global economic conditions as well as subdued consumption growth in India and major consuming countries in Europe (UK and Russia). Tea consumption is forecast to increase 3.5% in 2014 supported by stronger consumption growth in China and in emerging economies in Asia, the Middle East and Africa. After increasing by an estimated 5.8% in 2013, global tea production growth is forecast to slow down to 2.5-2.8% in 2014 because of declines in India and Kenya.
- The overall tea market surplus increased from 77 mkg in 2010 to 425-450 mkg in 2013. The surplus is forecast to decline to around 400 mkg in 2014 reflecting strong improvement in global consumption and slowdown in production growth. Tea prices fell in 2012-13, owing to rising oversupply. As the market surplus declines in 2014, prices could increase from \$2.65/kg in 1Q2014 to \$2.85-2.90/kg in the second half of 2014. However, prices on an annual basis are forecast to decline from \$2.86/kg in 2013 to around \$2.75-2.80/kg in 2014. Growing competition among exporting countries for market share could weigh on the market. Taking a long-term perspective, the industry has been in a consistent oversupply position for over a decade now, a trend, which is unlikely to change in the medium term, except for short-term and seasonal fluctuations.