

## *Quarterly Review on Tea: October-December FY19*<sup>1</sup>



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# *Quarterly Review on Tea*

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## Quarterly Report on Tea: October-December 2018

Tea is next to water as the most consumed beverage in the world. The demand for tea in Bangladesh and thus its internal consumption continuously increased. As a source of export earnings, Tea is one of the important cash crops of Bangladesh in the primary commodities category. During the FY18, production of tea decreased slightly compared to the previous fiscal year but domestic consumption of tea has increased compared to the previous fiscal year. During the October-December 2018, Earnings from Tea export accounts for 0.01% (same as the previous fiscal year) share of the country's total export earnings and 0.22% of the total export earnings in primary commodities' category. During this period, country's total export earnings from primary commodities stood at USD 766.88 million which is 3.74% of total export (Table-1).

**Table-1: Total Export Earnings From Primary Commodities In Bangladesh**

(USD million)

| Primary Commodities Export | 2013-14         | 2014-15         | 2015-16         | 2016-17         | 2017-18         | 2018-19*        |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Primary Commodities</b> | <b>1379.67</b>  | <b>1265.65</b>  | <b>1305.00</b>  | <b>1247.46</b>  | <b>1337.81</b>  | <b>766.88</b>   |
| a) Frozen Food             | <b>602.62</b>   | <b>561.61</b>   | <b>528.58</b>   | <b>516.41</b>   | <b>493.12</b>   | <b>305.18</b>   |
|                            | (43.68)         | (44.37)         | (40.50)         | (41.40)         | (36.86)         | (39.80)         |
| b) Raw Jute                | <b>126.39</b>   | <b>111.57</b>   | <b>173.17</b>   | <b>167.84</b>   | <b>155.68</b>   | <b>65.49</b>    |
|                            | (9.16)          | (8.82)          | (13.27)         | (13.45)         | (11.64)         | (8.54)          |
| c) Agricultural products   | <b>611.37</b>   | <b>583.42</b>   | <b>594.23</b>   | <b>548.7</b>    | <b>670.93</b>   | <b>515.93</b>   |
|                            | (44.31)         | (46.10)         | (45.53)         | (43.99)         | (50.15)         | (67.28)         |
| d) Tea                     | <b>3.71</b>     | <b>2.63</b>     | <b>1.83</b>     | <b>4.47</b>     | <b>2.77</b>     | <b>1.71</b>     |
|                            | (0.27)          | (0.21)          | (0.14)          | (0.36)          | (0.21)          | (0.22)          |
| e) Others                  | <b>35.58</b>    | <b>6.42</b>     | <b>7.19</b>     | <b>10.04</b>    | <b>15.31</b>    | <b>9.55</b>     |
|                            | (2.58)          | (0.51)          | (0.55)          | (0.80)          | (1.14)          | (1.25)          |
| <b>Total Export</b>        | <b>30176.80</b> | <b>31208.94</b> | <b>34257.18</b> | <b>34655.92</b> | <b>36668.17</b> | <b>20499.87</b> |

\*July-December

Note: Figures in the parentheses indicate tea export earnings as a percentage share of total export earnings from primary commodities'.

Source: Export Promotion Bureau.

In 2018, tea export of Bangladesh, as a percentage of total export earnings had reached the lowest position among some SAARC countries, which were roughly same as previous years. Moreover, tea export as percentage of total export earnings from India and Bangladesh was 0.25 and 0.01 percent respectively in 2018 (Table-2). However, the contribution of tea in total export in Sri-Lanka is much higher than India and Bangladesh.

**Table 2: Comparative Scenery Of Tea Export As A Percentage Of Total Export Earnings Of Few SAARC Countries**

| Year  | India             | Sri Lanka | Bangladesh        |
|-------|-------------------|-----------|-------------------|
| 2005  | 0.49              | 16.37     | 0.18              |
| 2006  | 0.38              | 16.37     | 0.11              |
| 2007  | 0.34              | 17.18     | 0.06              |
| 2008  | 0.32              | 20.64     | 0.11              |
| 2009  | 0.33              | 22.34     | 0.08              |
| *2010 | 0.19              | 11.80     | 0.02              |
| *2011 | 0.17              | 9.44      | 0.01              |
| *2012 | 0.23              | 14.45     | 0.01              |
| *2013 | 0.24              | 14.83     | 0.01              |
| *2014 | 0.24              | 13.55     | 0.01              |
| *2015 | 0.22 <sup>#</sup> | 12.71     | 0.01 <sup>#</sup> |
| *2016 | 0.28 <sup>#</sup> | 12.31     | 0.01 <sup>#</sup> |
| *2017 | 0.25 <sup>#</sup> | 13.47     | 0.01 <sup>#</sup> |
| *2018 | 0.25 <sup>#</sup> | -         | 0.01 <sup>#</sup> |

Note: <sup>#</sup> Fiscal Year.

Source: \*Annual Report of Central bank & Monthly Bulletin and Website of Indian Tea board.

## Demand, Production and Export of Tea

In FY18, the production of tea was at 78.13 million kg which was 2.22 percent lower than that in FY17. During the FY18, total availability of tea in the country stood at 125.85 million kg with the previous fiscal year's stock of 47.73 million kg. During FY18, quantity and value of tea export stood at 2.28 million kg and 2.92 million dollar respectively. Total availability, domestic demand and export of tea during last five years (FY15 to FY18) have shown in Table-3.

**Table 3: Total Availability, Internal Demand and Export Related Statistics of Tea**

(Million Kg)

| Details                             | 2014-15      | 2014-15      | 2015-16      | 2016-17      | 2017-18      |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>1. Total Availability (2+3)</b>  | 99.73        | 98.74        | 110.01       | 122.40       | 125.85       |
| 2. Previous year end stock          | 34.73        | 34.73        | 31.91        | 42.50        | 47.73        |
| 3. Production                       | 65.00        | 64.01        | 78.10        | 79.90        | 78.13        |
| 4. Internal Demand                  | 60.00        | 65.40        | 67.03        | 72.35        | 78.72        |
| <b>5. Export</b>                    |              |              |              |              |              |
| a) Quantity (Million Kg)            | 2.00         | 1.43         | 0.48         | 2.32         | 0.78         |
| b) Value (USD Million)              | 2.00         | 2.15         | 1.56         | 4.19         | 2.28         |
| c) Average Export Value (Dollar/Kg) | 1.00         | 1.50         | 3.28         | 1.81         | 2.92         |
| 6. Year end stock                   | <b>37.73</b> | <b>31.91</b> | <b>42.50</b> | <b>47.73</b> | <b>46.35</b> |

Year end stock was accounted from 2008-09.

Source: Bangladesh Tea Board.

## Worldwide Tea Production

World tea production stood at 5463 million kg in 2016. In 2016 world tea production increased by 3.43 percent compared to that of 2015 (5282 million kg). In 2016, the share of tea production for Bangladesh's was 1.56 percent of world tea production which was 0.28 percentage point higher than that in 2015. According to the statistics on tea production of major tea producing countries of the world, China held the first position followed by India Kenya, Sri-Lanka in 2016. Statistics on tea production of major tea producing countries for the last six years is shown in Table-4.

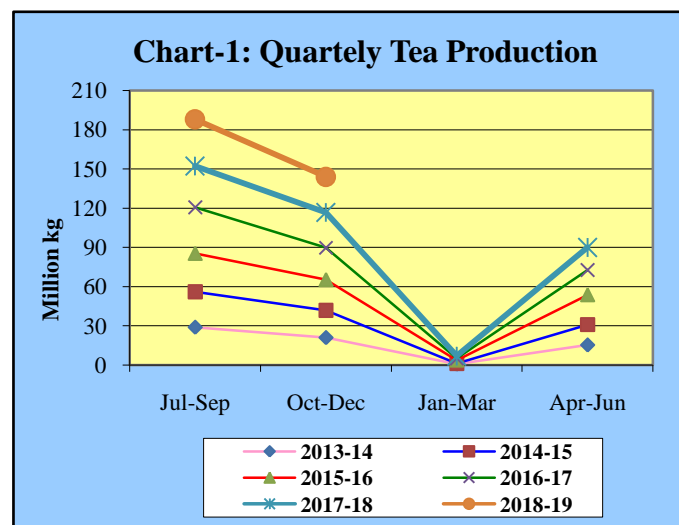
**Table 4: Production of Tea by Major Tea Producing Countries**

| Country        | 2011        | 2012        | 2013*       | 2014*       | 2015**      | 2016 <sup>P</sup> |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| 1. China       | 1623        | 1790        | 1924        | 2096        | 2249        | 2350              |
|                | 36.46       | 38.12       | 38.51       | 40.31       | 42.58       | 43.02             |
| 2. India       | 1116        | 1126        | 1200        | 1207        | 1209        | 1239              |
|                | 25.07       | 23.98       | 24.02       | 23.21       | 22.89       | 22.68             |
| 3. Kenya       | 378         | 370         | 432         | 445         | 399         | 475               |
|                | 8.49        | 7.88        | 8.65        | 8.56        | 7.55        | 8.70              |
| 4. Sri Lanka   | 329         | 328         | 340         | 338         | 329         | 292               |
|                | 7.39        | 6.99        | 6.81        | 6.50        | 6.23        | 5.35              |
| 5. Turkey      | 145         | 147         | --          | --          | 147         | --                |
|                | 3.26        | 3.13        | 0.00        | 0.00        | 2.78        | 0.00              |
| 6. Indonesia   | 142         | 138         | 137         | 136         | 129         | 126               |
|                | 3.19        | 2.94        | 2.74        | 2.62        | 2.44        | 2.31              |
| 7. Vietnam     | 178         | 174         | 180         | 175         | 170         | 165               |
|                | 4.00        | 3.71        | 3.60        | 3.37        | 3.22        | 3.02              |
| 8. Argentina   | 93          | 84          | --          | --          | 84          | --                |
|                | 2.09        | 1.79        | 0.00        | 0.00        | 1.59        | 0.00              |
| 9. Japan       | 82          | 86          | --          | --          | 86          | --                |
|                | 1.84        | 1.83        | 0.00        | 0.00        | 1.63        | 0.00              |
| 11. Bangladesh | 59          | 63.85       | 64.48       | 63.88       | 67.38       | 85.05             |
|                | 1.33        | 1.36        | 1.29        | 1.23        | 1.28        | 1.56              |
| 12. Uganda     | 54          | 58          | 58          | 61          | 58          | --                |
|                | 1.21        | 1.24        | 1.16        | 1.17        | 1.10        | 0.00              |
| 13. Malabi     | 47          | 42          | 46          | 46          | 42          | --                |
|                | 1.06        | 0.89        | 0.92        | 0.88        | 0.80        | 0.00              |
| 14. Others     | 206         | 288         | 614         | 632         | 312         | 731               |
|                | 4.63        | 6.14        | 12.30       | 12.15       | 5.91        | 13.37             |
| <b>Total</b>   | <b>4452</b> | <b>4695</b> | <b>4996</b> | <b>5200</b> | <b>5282</b> | <b>5463</b>       |

Note: Coloring lines indicate as a percentage of total production. P=Provisional, \* Annual Report, India Tea Board and Tea Market Update (Vol-10), Ceylon Tea.\*\* Website of Bangladesh Tea Board.  
Source: International Tea Committee (ITC).

## Tea production

In the second quarter of FY19 (October-December 2019), Bangladesh's tea production stood at 27.27 million kg which is 23.12 percent lower than that in the previous quarter and 0.7 percent higher than the same quarter of the previous fiscal year. Quarterly



production of tea during the last six years is shown in Table-5 and Chart-1.

## Average Auction Value of Tea:

From the observation of auction value of different grade of tea it is shown that at the quarter ended in December 2018, auction value of best tea was limited within 265-275 Taka per kg which value was 315-320 Taka per kg at the end of the previous quarter. During the quarter, auction value of good tea was 245-255 Taka per kg which value was limited within 238-243 Taka per kg of same quarter of the preceding year. During the quarter average auction value of Medium and Plain tea was 225-240 Taka per kg and 130-145 Taka per kg respectively which was 298-304 Taka per kg and 250-280 Taka per kg respectively of the previous quarter and 232-235 Taka per kg and 165-185 Taka per kg respectively of the same quarter of the previous year. Quarterly average auction value data of different grades of tea is shown in the table-5.

**Table-5: Average Auction Value Of Different Grade Tea**

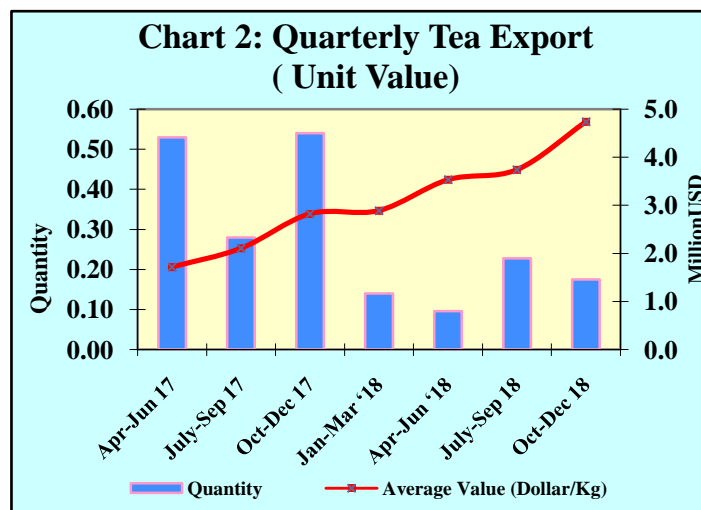
(Taka/Per KG)

| Classification on Grade Based | December 2017 | March 2018   | June 2018 | September 2018 | December 2018 |
|-------------------------------|---------------|--------------|-----------|----------------|---------------|
| 1. Best                       | 224-248       | Not Quotable | 246-250   | 315-320        | 265-275       |
| 2. Good                       | 238-243       | Not Quotable | 242-245   | 305-314        | 245-255       |
| 3. Medium                     | 232-235       | 185-195      | 232-242   | 298-304        | 225-240       |
| 4. Plain                      | 165-185       | 165-180      | 200-215   | 250-280        | 130-145       |

Source: National Brokers Limited

## Quarterly Tea Export

Country's export earnings from tea in terms of quantity stood at 0.18 million kg during October-December 2018 which was 23.25 percent and 32.69 percent lower than those in previous quarter and the same quarter of the previous year respectively. On the



other hand value stood at 0.83 million dollar (69.52 million taka) in same period which was 2.57 percent and 8.81 percent lower than these in the previous quarter and the same quarter of the previous year respectively. During the quarter under report, average export value of tea was 4.74 dollar per kg (Taka 397.27 per kg) which was 26.66 percent and 31.73 percent higher than the previous quarter and the same quarter of the previous year respectively. Quarterly export earnings from tea in terms of quantity and value are shown in Chart-2.

**Table-6: Quarterly Export Earnings Of Tea In Terms Of Quantity And Value**

| Quarter                     | Export Quantity (Million Kg) | Export Value   |              | Average Export Value |               |
|-----------------------------|------------------------------|----------------|--------------|----------------------|---------------|
|                             |                              | Million Dollar | Million Taka | Dollar/ Kg           | Taka/ Kg      |
| April-June '17              | 0.53                         | 0.91           | 72.00        | 1.72                 | 135.85        |
| July-September '17          | 0.28                         | 0.59           | 47.61        | 2.11                 | 170.05        |
| October-December '17        | 0.26                         | 0.94           | 76.24        | 3.60                 | 293.23        |
| January-March '18           | 0.14                         | 0.42           | 33.99        | 2.89                 | 236.06        |
| April-June '18              | 0.10                         | 0.34           | 27.83        | 3.53                 | 289.92        |
| July-September '18          | 0.23                         | 0.85           | 71.36        | 3.74                 | 312.96        |
| <b>October-December '17</b> | <b>0.18</b>                  | <b>0.83</b>    | <b>69.52</b> | <b>4.74</b>          | <b>397.27</b> |
| Percentage change*          | -23.25                       | -2.70          | -2.57        | 26.66                | 26.94         |
| Percentage change**         | -32.69                       | -11.34         | -8.81        | 31.73                | 35.48         |

\*Compared to previous quarter, \*\* Compared to the same quarter of previous year.

Source: Statistical Bulletin of Bangladesh Tea Board.

## Destination of the Bangladeshi Tea Export

The primary importers of tea from Bangladesh were Pakistan, KSA, UAE, Kuwait, USA and Japan during October-December of 2018. During this period, the highest portion of export earnings from tea came from Pakistan (31.78 percent) followed by United States

of America (30.16 percent), UAE (29.02 percent), KSA (4.89 percent). The export value of tea from Pakistan, United State of America, UAE, KSA and Kuwait stood at about 534.31 thousand USD, 506.94 thousand USD, 487.91 thousand USD, 82.15 thousand USD, 65.90 thousand USD, and 3.84 thousand USD respectively. Country-wise export of tea (Unit and Value) during upto FY18 and FY19 upto December is shown in the Table-8.

**Table-7: Country-wise Tea Export**

| Country's Name | Fiscal Year 2017-18 (Upto December) |                 | Fiscal Year 2018-19 (Upto December) |                 |
|----------------|-------------------------------------|-----------------|-------------------------------------|-----------------|
|                | Quantity of Export                  | Value of Export | Quantity of Export                  | Value of Export |
|                | (Thousand Kg)                       | (Thousand USD)  | (Thousand Kg)                       | (Thousand USD)  |
| Pakistan       | 346                                 | 868.58          | 77                                  | 534.31          |
| K.S.A          | 19                                  | 97.91           | 16                                  | 82.15           |
| UAE            | 144                                 | 404.06          | 162                                 | 487.91          |
| Kuwait         | 18                                  | 51.92           | 21                                  | 65.90           |
| USA            | 13                                  | 62.42           | 126                                 | 506.94          |
| Japan          |                                     |                 | 1                                   | 3.84            |
| <b>Total</b>   | <b>540</b>                          | <b>1485.25</b>  | <b>403</b>                          | <b>1681.06</b>  |

Source: Statistical Bulletin of Bangladesh Tea Board

### **Potentiality of Tea Industry\***

By improving the quality of tea production and value of tea export, Bangladesh's tea industry can reach significant development. At present, country's production of tea stood on an average of 1320 kg per hectare by using 50 percent of the land. Recently, a survey organized by Bangladesh Tea Board has observed that the land and the weather of Panchagarh, Thakurgaon and three hilly areas of Bangladesh is very suitable for tea cultivation. Cultivation of quality tea with the efficient management, an increase in the quantity of land for tea production by 55 percent, and average production of 1500 kg tea per hectare can lead to an increase of tea production to 100 million kg in Bangladesh within 2025. Bangladesh Tea Board has observed that the primary reason of deceleration of tea industry is the lack of investment. Lower interest rate and favorable conditions are prerequisite to increase the long term investment in the tea sector which is also essential for the development of tea garden and tea factories. It is mentioned that it takes 5-7 years of investment in tea cultivation before the production

\* Publication on Tea, Bangladesh Tea Board.



starts. Therefore, the interest rate policy of this sector can be made easier for the first year of loan. Furthermore, Bangladesh Krishi Bank can play an important role for promoting investment in this sector.

Branding is a vital factor for marketing the product in the international market. Bangladeshi tea is rich in taste and flavor. With the right way of marketing it is possible to create greater demand for Bangladeshi Branded Tea in international market. Hence, Bangladesh Tea Board has planned to build Bangladeshi Brands by the name of Srimangal Tea, Sylhet Tea, Bandarban Tea, Panchagarh Tea etc.

### **Conclusion:**

According to the Bangladeshi data on tea in 2018, 82.13 million kg of tea were produced and 85.93 million kg of tea consumed and 2.56 million kg of tea was exported. Country's domestic demand is rapidly increasing due to urbanization, change in consumer taste along with population growth. Market diversification is necessary to increase the tea production and to increase the contribution of tea in national export earnings. In this regard, tea production per hector may be increased by ensuring long term loan facility for tea industry, implementing modern production technique, quality plantation and increasing the size of land. BUILD (Business Initiative Leading Development) has expected that tea industry can ensure 19000 employment opportunities by 2019 and increase the tea production by additional 16 million kg by using the uncultivable land with the aid of financing from different stakeholders.

To develop the tea industry in Bangladesh long term investment, implementation of modern production technique, enhancement of production capacity through utilization of unused land, increased access to credit, market diversification, focused R&D on the quality of tea, Institutional development for tea board and others stakeholders in global context should be ensured.