

# Scenario Analysis of Tea Export from Bangladesh in World Market: Some Policy Suggestion

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**Abstract:** Bangladesh has turned a tea importer from a tea exporter, mainly for an increasing domestic consumption trend. Earlier, Bangladesh exported tea to many countries, but now many private companies in the country are importing tea from abroad to fulfill its local demand. The country produce 80,000 thousand kilogram tea in 2016-17. But the country export only 2,320 thousand kilogram tea to seven countries among which Pakistan was the top listed country and Consol was the top listed exporter company among nine exporter companies during the same year. To mitigate the internal demand the country import 77.00 thousand kilogram tea from abroad in 2016-17. World market scenario analysis shows that export performance of tea in China is increasing day by day and obtained first position in 2016-17. Srilanka, Kenya and India obtained the 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> position in the same year. The export performance of tea from Bangladesh is decreasing at a high rate. This analysis helps the government and policymaker to take some necessary steps to decrease the import and to increase the export of tea from the country.

**Keywords:** Tea, Tea export scenario, Bangladesh

## 1. Introduction

Tea is the second largest export oriented cash crop of Bangladesh, following jute. It has been one of the major exportable items of Bangladesh since 1971. There are 165 tea estates in Bangladesh. Of these estates, 135 are in Sylhet division and 25 are in Chattogram division, and the newly developed 5 estates belong to Rangpur division. Tea grows in the three fairly divergent ecological zones, namely Surma valley in greater Sylhet, Halda valley in Chattogram and Karatoa valley in Panchagarh district (Mamun, 2011). At present total tea areas of Bangladesh is 1,48,346 acres, which is divided into three sub division namely Sylhet in 1,27,322 acres, Chattogram in 17,149 acres and Rangpur in 3,875 acres. Total production is 80,000 thousand kilogram in 2016-17 but the export is only 2,320 thousand kilogram.

It is one of the most important non-alcoholic beverage drinks worldwide and has been gaining further popularity as an important 'health drink' in view of its purported medicinal value. It is served as morning drink for nearly 2/3rd of the world population daily (Islam *et al.*, 2005). Tea leaves contain several chemical compounds such as caffeine, polyphenol and alkaloids. Other non-addictive drugs such as theobromine, theophylline, useful florides, volatile oils, and vitamin are also present. Moreover, a cup of tea with milk and sugar may provide as much as 40 calories of which 4 calories are contributed by tea itself (Muhammed and Suliman, 2009).

Tea is a major agro-based, labour intensive and export-oriented industry of Bangladesh. It plays a very vital role in the national economy through export earning, trade balancing as well as in employment generation. It produces 2% of world production and exports 0.07% of world export. The industry offers rural employment opportunities especially to women and contributes to poverty alleviation in the rural areas. About 0.35 million people including 0.09 million permanent workers and 0.21 million dependents live on the Bangladesh tea industry. The industry accounts for 1% of national GDP in the economy of Bangladesh (BTB, 2017).

## Objectives of the study

- 1) To focus on the Bangladesh tea production, consumption and export;
- 2) To check the trend of import-export gap and
- 3) To review the world market tea export scenario.

## 2. Methodology of the Study

The yearly data of the export (Thousand Kilogram) quantity of tea for the year 1990-91 to 2016-17 has been collected from the Bangladesh Tea Board (BTB). These Secondary data are used to analyze and achieve the objective of the study. In the analyses 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.

## 3. Results and Discussion

### 3.1 Export performance of tea from Bangladesh

Table 1 shows that total production of tea in Bangladesh was 80,000 thousand kilogram in 2016-17. Bangladesh exported 2,320 thousand kilogram tea contributing 2.90% of total production and earned 2,737.60 thousand US \$ in 2016-17. The country exported 33,090 thousand kilogram tea contributing 67.12% of total production in 1992-93 that was the highest among twenty seven years of tea exports and earned 38,053.50 thousand US \$. But total production was 49,301 thousand kilogram in 1992-93 which was less than the total production of 2016-17. It was observed that total production of tea increases day by day but the exported quantity decreases over the year (Table 1 and Figure 1). Contribution of export to total production was more than 50% at the study period of 1990-91 to 1994-95. Share of export to total production is started to decrease after 1994-95. Lowest Contribution of export to total production was 0.74% in 2015-16, but the total production increased 15,199 thousand kilogram than the year 1992-93. The country earned 1,558 thousand US \$ in 2015-16 but it was 36,495.50 thousand US \$ less than the year 1992-93. It earned the highest amount (47,610 thousand US \$) in 1990-91 from export of tea contributing 47.71% of total production. Table

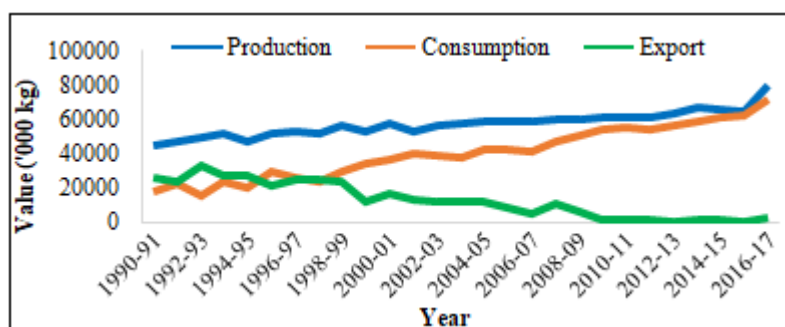
It also shows that contribution of tea export reached below the 40% after the year 1999-00. Tea export from Bangladesh increases 1,844 thousand kilogram in 2016-17 than that of the year 2015-16 and contribution of export increases 2.16%

for the same year than that of the year 2015-16. The following table gives an idea about the twenty seven years export performance of tea from Bangladesh:

**Table 1:** Export performance of tea from Bangladesh for the year 1990-91 to 2016-17

Year	Total Production ('000 Kg)	Export ('000 Kg)	Consumption ('000 Kg)	Value ('000 US \$)	Contribution of export to total production (%)
1990-91	44,612	26,450	18,161	47,610.00	59.29%
1991-92	46,788	23,640	23,145	33,332.40	50.53%
1992-93	49,301	33,090	16,213	38,053.50	67.12%
1993-94	51,732	27,420	24,312	38,113.80	53.00%
1994-95	47,043	26,720	20,320	30,995.20	56.80%
1995-96	52,144	21,430	30,710	29,359.10	41.10%
1996-97	52,665	25,387	27,278	29,702.79	48.20%
1997-98	51,253	24,454	24,451	46,218.06	47.71%
1998-99	56,929	23,504	30,756	34,550.88	41.29%
1999-00	52,689	12,615	35,284	14,885.70	23.94%
2000-01	57,932	16,528	36,753	20,825.28	28.53%
2001-02	52,689	13,802	40,441	16,424.38	26.19%
2002-03	56,742	12,166	39,807	15,085.84	21.44%
2003-04	58,005	12,460	38,214	15,450.40	21.48%
2004-05	58,343	12,356	43,252	15,568.56	21.19%
2005-06	58,499	9,022	42,551	11,638.38	15.42%
2006-07	59,000	4,828	41,776	6,228.12	8.18%
2007-08	59,470	10,798	48,265	14,577.30	18.16%
2008-09	60,000	6,151	50,811	11,748.41	10.25%
2009-10	60,794	2,077	55,064	4,777.10	3.41%
2010-11	61,301	1,160	55,954	2,563.60	1.89%
2011-12	61,300	1,611	54,258	2,819.25	2.63%
2012-13	63,341	852	56,801	1,491.00	1.35%
2013-14	67,500	1,766	59,908	2,860.92	2.62%
2014-15	66,101	1,413	65,404	2,161.89	2.14%
2015-16	64,500	476	67,031	1,558.00	0.74%
2016-17	80,000	2,320	72,347	2,737.60	2.90%

Sources: Statistical bulletin of Bangladesh tea board for the month of October, 2017



**Figure 1:** Graphical presentation of tea production, consumption and export in Bangladesh for the year 1990-91 to 2016-17

### 3.2 Country-wise export performance of tea from Bangladesh

Bangladesh exported tea to seven countries over the years among which Pakistan was the top listed country during 2016-17. UAE, K.S.A, Kuwait, USA, China and Japan possessed the subsequent seven positions respectively of the importers of tea from Bangladesh in a descending order in 2016-17. Table 2 and figure 2 revealed that Pakistan was the main importer of tea and Bangladesh earned 3,424.52 thousand US \$ which was 81.55% of total export earnings from tea in 2016-17. The earnings of Bangladesh in thousand US \$ from the subsequent six leading importers in the same year were 575.58, 137.56, 38.01, 21.72, 1.81 and

0.78, constituting 13.71%, 3.27%, 0.91%, 0.52%, 0.04% and 0.02% respectively of the total earnings from tea.

**Table 2:** Country-wise tea export from Bangladesh and its share to total tea export for the year 2016-17

Country	2016-17		
	Export ('000 Kg)	Value ('000 US\$)	% of total export
UAE	318	575.58	13.71%
USA	12	21.72	0.52%
China	1	1.81	0.04%
Japan	0.43	0.78	0.02%
Kuwait	21	38.01	0.91%
Pakistan	1892	3,424.52	81.55%
K.S.A.	76	137.56	3.27%
Total	2320	4199.98	100%

Source: Bangladesh Tea Board (BTB), 2017

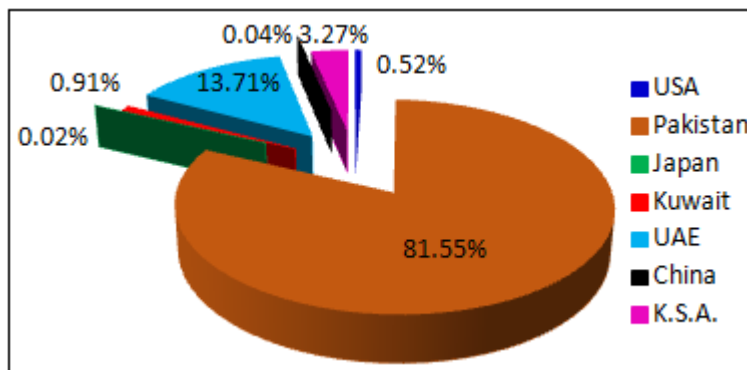


Figure 2: Graphical presentation of country-wise tea export share to total tea export from Bangladesh for the year 2016-17

3.3 Exporter-wise export performance of tea from Bangladesh

Nine exporters perform export performance of Bangladeshi tea. The exporter are AbulKhair, Consol, Monir Shah, Ispahani, Shaw Wallace, Kazi&Kazi, Meghna, Haji Ahmed and Halda Valley. Among nine exporters Consol was the top listed exporter during 2016-17. Meghna, AbulKhair, Haji Ahmed, Ispahani, Monir Shah, Shaw Wallace, Halda Valley and Kazi&Kazi possessed the subsequent eight positions respectively of the exporters of Bangladeshi tea in a descending order in 2016-17. Table 3 and figure 3 reveal that Consol was the main exporter of tea and earned 1,898.69 thousand US \$ which was 45.22% of total export earnings from tea in 2016-17. The earnings in thousand US \$ of the exporters from the tea export of Bangladesh in the same year were 785.54, 597.3, 416.3, 367.43, 115.84, 16.29, 1.81 and

0.78, constituting 18.71%, 14.22%, 9.91%, 8.75%, 2.76%, 0.39%, 0.04% and 0.02%, respectively of the total earnings.

Table 3: Exporter-wise tea export from Bangladesh and its share to total tea export for the year 2016-17

Exporter	2016-17		
	Export ('000 Kg)	Value ('000 US\$)	% of total export
AbulKhair	330	597.3	14.22%
Consol	1049	1,898.69	45.22%
Monir Shah	64	115.84	2.76%
Ispahani	203	367.43	8.75%
Shaw Wallace	9	16.29	0.39%
Kazi&Kazi	0.43	0.78	0.02%
Meghna	434	785.54	18.71%
Haji Ahmed	230	416.3	9.91%
Halda Valley	1	1.81	0.04%
Total	2320	4199.98	100%

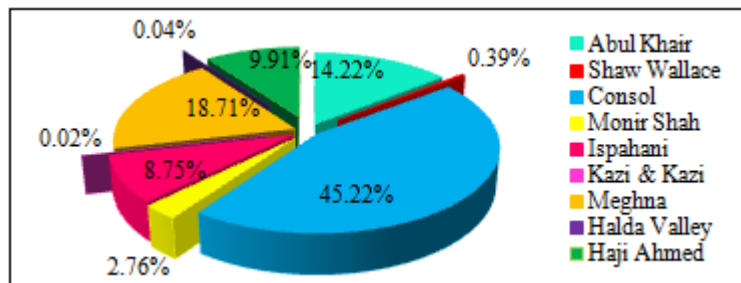


Figure 3: Graphical presentation of exporter-wise tea export share to total tea export from Bangladesh for the year 2016-17

3.4 Import-export gap analysis of tea in Bangladesh

Import and export of tea in Bangladesh during the study period 2010 to 2016 is shown in table 4. Import of tea in Bangladesh in 2010 is 41.3 thousand kilogram but in 2016 it reaches 77.0 thousand kilogram. From the table 4 and figure 4, it is seen that the import of tea is increasing day by day. Tea export from Bangladesh in 2010 is 9.1 thousand kilogram but in 2016 it exports only 4.7 million kilogram tea. From the table 4 and figure 4, it is seen that the export of tea is decreasing day by day. The import-export gap in 2010 was 32.2 thousand kilogram tea. Gap reaches 72.3 thousand kilogram in 2016. Bangladesh imports highest amount of tea in 2015 that is 114.0 thousand kilogram. In the same year, the import-export gap of tea is the highest that was 108.5 thousand kilogram. It is clear from the table 4 and figure 5 that the import-export gap has increased during the study period. Figure 5 also shows an increasing linear trend line that means Bangladesh imports large amount of tea than the

export of tea. On an average the import-export gap of tea in Bangladesh follows an upward trend that means the country can't fulfill the local demand of tea with its own production. As a result it imports a large amount of tea from abroad to fulfill the local demand.

Table 4: Import-export gap analysis of tea in Bangladesh for the period 2010 to 2016

Year	Import (thousand kg)	Export (thousand kg)	Import-Export gap
2010	41.3	9.1	32.2
2011	49.8	14.8	35.0
2012	19.2	15.6	3.6
2013	106.2	5.4	100.8
2014	69.6	26.6	43.0
2015	114.0	5.5	108.5
2016	77.0	4.7	72.3

Source: Bangladesh Tea Board (BTB), 2017

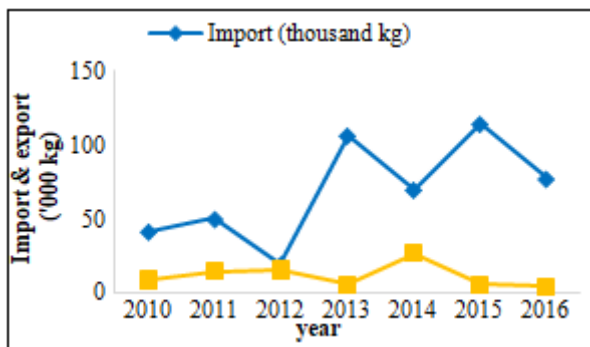


Figure 4: Graphical presentation of import and export of tea in Bangladesh for the period 2010 to 2016

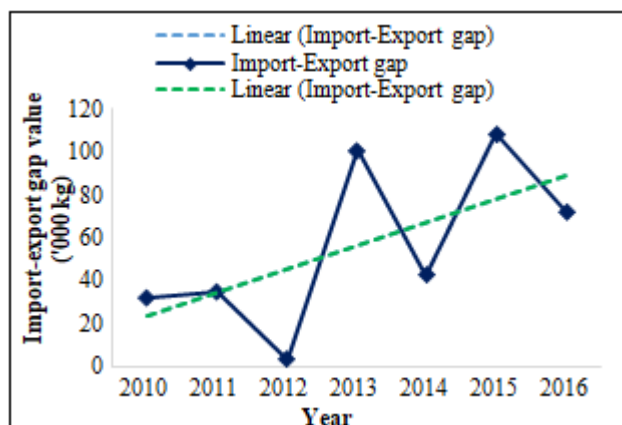


Figure 5: Graphical presentation of import-export gap of tea in Bangladesh for the period 2010 to 2016

### 3.5 World market analysis

Global sales from tea exports by country amounted to 6.5 billion US\$ in 2016. Among countries, Asian countries accounted for the highest dollar worth of exported tea during 2016 with shipments valued at 4.3 billion US\$ or two-thirds (65.5%) of the global total. European countries were in second place and export was 14.9% of the world total. Much smaller percentages of exported tea were sent from North America (2.5%), Latin America excluding Mexico and the Caribbean (1.7%) and Oceania nations including Australia

(0.2%). World tea export during the study period, 2008 to 2016 is shown in Table 5. It is clear from the table that the global tea export had increased during the period 2008-2016. In 2008, the tea export was 1,570.7 thousand ton and by 2016 export increased to 1,616.4 thousand ton. Among the 145 tea exporting countries Sri Lanka performed as a first position and exported 303.5 thousand ton contributing 19.30% of the world tea export in 2008. Kenya, China, India, Vietnam, Indonesia, USA, Malawi, Uganda, Zimbabwe, Bangladesh and South Africa exported 301.0, 291.0, 200.2, 108.2, 91.7, 79.7, 42.9, 39.6, 9.1, 7.9, and 5.6 in thousand ton which contribute 19.16%, 18.50%, 12.74%, 6.88%, 5.83%, 5.07%, 2.73%, 2.52%, 0.58%, 0.50% and 0.36% of world export, respectively. Other countries export was 91.8 thousand ton which contributed 5.84% of world export. Over the years world tea export is increasing day by day. In 2016, among the 145 tea exporting countries China performs as a first position and export 368.5 thousand ton contributing 22.80% of the world tea export. Sri Lanka, Kenya, India, USA, Indonesia, Vietnam, Malawi, South Africa, Zimbabwe, Uganda and Bangladesh exported 310.3, 168.1, 163.3, 33.9, 27.5, 25.9, 19.4, 6.5, 4.8, 1.6 and 1.1 in thousand ton which contribute 19.19%, 10.39%, 10.10%, 2.09%, 1.70%, 1.60%, 1.20%, 0.40%, 0.29%, 0.09%, and 0.07%, of world export, respectively. Table 5 and Figure 6 shows that export performance of tea in China is increasing day by day. Its position was 3<sup>rd</sup> in 2008 but in 2016 its position was first in world tea export. From Figure 6, it shows an upward export trend. Sri Lanka shows more or less constant trend of tea export and earns second position in 2016. From table 5 and figure 6, we can see that export performance of tea from Kenya is decreasing in a slower rate but it perform 3<sup>rd</sup> position in world tea export. Tea export from India exhibits more or less constant trend and it performs as a 4<sup>th</sup> position in world tea export. Indonesia, Vietnam, Malawi, Uganda and USA show a downward export trend (Figure 6). On the other hand, South Africa and Zimbabwe show an upward export trend. Export performance of tea from Bangladesh is decreasing in a higher rate and contributing 0.07% of the world tea export in 2016.

Table 5: World tea export

Country	Export (2008)			Export (2010)			Export (2012)			Export (2014)			Export (2016)		
	('000 ton)	%	Rank	('000 ton)	%	Rank	('000 ton)	%	Rank	('000 ton)	%	Rank	('000 ton)	%	Rank
World	1,570.7	100	-	1,683.0	100	-	1,684.0	100	-	1,829.0	100	-	1,616.4	100	-
China	291.0	18.50	3 <sup>rd</sup>	302.4	17.96	3 <sup>rd</sup>	321.8	19.11	2 <sup>nd</sup>	332.9	18.20	2 <sup>nd</sup>	368.5	22.80	1 <sup>st</sup>
Sri Lanka	303.5	19.30	1 <sup>st</sup>	305.8	18.16	2 <sup>nd</sup>	306.1	18.17	3 <sup>rd</sup>	420.7	23.00	1 <sup>st</sup>	310.3	19.19	2 <sup>nd</sup>
Indonesia	91.7	5.83	6 <sup>th</sup>	87.1	5.17	6 <sup>th</sup>	70.1	4.16	7 <sup>th</sup>	70.8	3.87	7 <sup>th</sup>	27.5	1.70	6 <sup>th</sup>
Vietnam	108.2	6.88	5 <sup>th</sup>	138.4	8.22	5 <sup>th</sup>	145.0	8.61	5 <sup>th</sup>	133.0	7.27	5 <sup>th</sup>	25.9	1.60	7 <sup>th</sup>
India	200.2	12.74	4 <sup>th</sup>	182.7	10.85	4 <sup>th</sup>	199.1	11.82	4 <sup>th</sup>	171.9	9.40	4 <sup>th</sup>	163.3	10.10	4 <sup>th</sup>
Kenya	301.0	19.16	2 <sup>nd</sup>	362.3	21.52	1 <sup>st</sup>	349.9	20.77	1 <sup>st</sup>	235.9	12.90	3 <sup>rd</sup>	168.1	10.39	3 <sup>rd</sup>
Malawi	42.9	2.73	8 <sup>th</sup>	48.9	2.90	9 <sup>th</sup>	41.8	2.48	9 <sup>th</sup>	47.5	2.59	9 <sup>th</sup>	19.4	1.20	8 <sup>th</sup>
Uganda	39.6	2.52	9 <sup>th</sup>	53.7	3.19	8 <sup>th</sup>	52.3	3.10	8 <sup>th</sup>	61.7	3.37	8 <sup>th</sup>	1.6	0.09	11 <sup>th</sup>
Bangladesh	7.9	0.50	11 <sup>th</sup>	1.6	0.09	12 <sup>th</sup>	1.2	0.07	12 <sup>th</sup>	2.4	0.12	12 <sup>th</sup>	1.1	0.07	12 <sup>th</sup>
USA	79.7	5.07	7 <sup>th</sup>	89.2	5.30	7 <sup>th</sup>	79.3	4.70	6 <sup>th</sup>	76.2	4.17	6 <sup>th</sup>	33.9	2.09	5 <sup>th</sup>
S. Africa	5.6	0.36	12 <sup>th</sup>	5.0	0.29	11 <sup>th</sup>	2.8	0.17	11 <sup>th</sup>	5.2	0.28	11 <sup>th</sup>	6.5	0.40	9 <sup>th</sup>
Zimbabwe	9.1	0.58	10 <sup>th</sup>	5.1	0.30	10 <sup>th</sup>	5.9	0.35	10 <sup>th</sup>	7.9	0.43	10 <sup>th</sup>	4.8	0.29	10 <sup>th</sup>
Others	91.8	5.84	-	100.8	5.98	-	108.7	6.45	-	262.9	14.37	-	485.5	30.04	-

Source: International Tea Committee (ITC), 2017

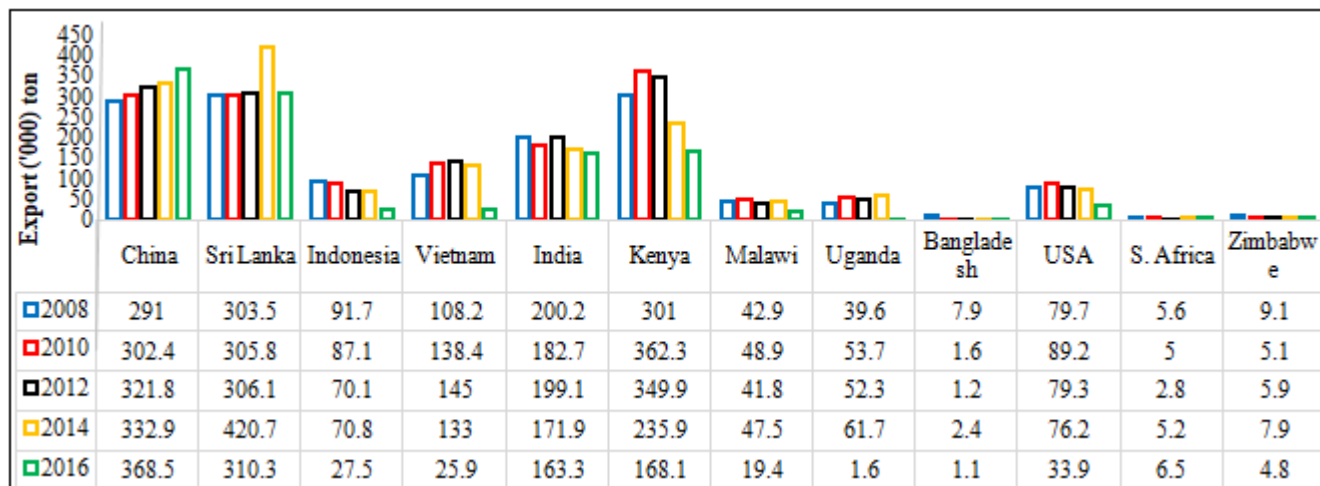


Figure 6: World tea export scenario

#### 4. Conclusion

Tea is one of the most popular drinks in the world population. Now, different countries are trying to increase its value added products like cold tea, ice tea, lemon tea, etc. so that tea can be a supplement of cold drinks. But Bangladesh can not adapt with the new technologies. For this reason, the country fails to generate optimum quality of tea to compete with the other global tea producing countries. On the other hand, Bangladesh imports a huge amount of tea from abroad to fulfill its local demand. So, the country has to pay a lot of currency for importing tea. In this circumstance, government can encourage the elite society for drinking indigenous quality tea that will help not only in decreasing the import but also in increasing the GDP.

#### 5. Policy Recommendations

Bangladesh needs to take quick steps to cope with the global competition in tea export business. On the basis of findings of the study the following recommendations are made for the increase of tea export and decrease of tea import from Bangladesh:

- 1) There are 1,48,346 acres of tea garden areas, but only 47 percent is utilized for growing, meaning nearly 78,623 acres of tea land are lying vacant. Utilize the total tea areas helps not only in increasing export but also in decreasing import of tea.
- 2) Use of modern technology and machine is an imperative to produce quality tea and to keep the cost lower. Production of flavoured tea is done with orthodox machines. Tea producers should be encouraged to replace 'Orthodox' method gradually. This type of tea can increase the demand in the local and world tea market.
- 3) Tea producers should be encouraged to produce tea mixed with and scented by citreous fruit like lemon and strong spices such as ginger and clove. Such tea is also known to have health benefits besides having specific fragrance that is like by different peoples. These types of tea are likely to gain popularity in the country and abroad which help to increase the export and decrease of import of tea from Bangladesh.
- 4) Seminars, symposium and tea festivals on Bangladeshi tea may be organized in country and abroad by the

Bangladesh Tea Board individually and in collaboration with the Bangladesh Porjoton Corporation.

- 5) The government should play its due role by giving adequate and timely credit; creating infrastructural facilities and preserving small-scale production by the small and marginal farmers to increase the production of tea for fulfill its local demand and increase production.
- 6) To meet the local demand of low priced quality tea and to increase export of tea appropriate measures coupled with government initiative should be undertaken.

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