



# Prospects and Challenges of Tea Industry in Bangladesh

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## Abstract

Tea industry is a more than 150 years old labor intensive agro-based export oriented industry of Bangladesh. This industry starts its journey from 1854 establishing commercial tea garden at Malnicharra in Sylhet district. But at present this industry has embraced vast hilly area of Moulovibazar, Habigonj and Chattogram district. And very recently Panchagor district has added in this line as new area of commercial tea garden. Several tea gardens of these districts have a great contribution in the economy of country. This article explores to find out the opportunities and challenges faced by the tea industry of Bangladesh. The data of the article collected from the various sources like news paper, journal, books, souvenir, Internet and direct interviews. The paper is qualitative in nature. The paper identifies some considerable factors which are the reasons for the poor performance of tea industry such as, high production cost, ancient tea garden, legal problem, unskilled labor and poor infrastructure. It also presents some recommendations which can help to get the benefit of opportunity.

The paper will be helpful for the authority of the tea garden, government and also for any interested groups or individuals.

**Keywords:** Tea Industry, Tribal Labor, Findings, Modern Irrigation System, Competitive Disadvantage, SWOC Analysis, Export & Import.

## Introduction

Tea is an aromatic beverage commonly prepared by pouring hot or boiling water over processed black leaves. After water, it is the most widely consumed drink in the world. There are many different types of tea; like Darjeeling and Chinese green tea have a cooling, slightly bitter, and astringent flavor, while others have vastly different profiles that include sweet, nutty, floral or grassy notes.

However, irrespective of different taste, more than thirty country of the world are now producing tea. Among them India, Chain, Sri Lanka, Indonesia, Kenya, and Bangladesh are prominent. The history of tea garden in Bangladesh started in 1840 when an eminent tea garden established in the slope of the slants of the Chattogram, but Mulnicharra in Sylhet is the first commercial tea garden of Bangladesh established in 1854. Bangladesh is now one of the large tea producing country of the world. This country has 172 commercial tea gardens and some of them are world famous for production of quality tea. This industry employs more than 4 lac of labors and produces 3 percent of the total tea of the world. It contributes 1 percent to the national GDP.

## Literature Review

A number of literatures have been reviewed on the tea production and its market highlighting its overall business prospects and problems in Bangladesh. Several studies revealed that this industry has huge opportunities to expand and simultaneously it has huge challenges also.

From the study, it is clear that the tea industry of Bangladesh is now facing enormous competition in the international market due to the higher cost comparing India, China, Kenya and Sri Lanka. Though Bangladesh produces quality tea with special aroma but the price war kills the opportunity to cover the large market share in global extent.

Tea industry of the country also has a substantial problem that, the government has no accurate estimation for the long term action plan. Although the government is friendly to this industry and has formulated several policies for the furtherance of the industry. However, there were some considerable factors identified which might be the reasons for the poor performance of Bangladesh in tea industry. Such as, high production cost, ancient tea garden, legal problems, unskilled labor, poor infrastructure etc.

The tea bushes in the garden are too old. Almost fifty percent of the tea bushes are fifty years old. This reduces the quantity and the quality of the tea in a large scale. In the auction of the tea selling system, the registered sellers, buyers can participate in a particular auction. In the auction of tea selling the price is controlled by the broker; thus the real buyers suffer. The weather is changing in all around the world. This is a problematic aspect to the tea industry. The changing weather requires artificial irrigation in the garden to maintain the production process. The tea industry of Bangladesh faces challenges and opportunities. The challenges slow down the business activities and opportunities increase the expansion of business.

## Objective of the study

The prime objective of the study is to identify the opportunities and challenges faced by the tea industry in Bangladesh. The secondary objectives are-

- i. To ascertain the current scenario of tea industry of Bangladesh;
- ii. To find out opportunities and challenges faced by the tea industry of Bangladesh;
- iii. To suggest recommendations to remove the challenges in tea industry of Bangladesh.

## Methodology

The study was predominantly based on the secondary data which were collected from related books, literature published in reputed journals, newspaper, conference proceedings, and reports. Few interviews were taken of some tea related business executives to get the best insight of the study. The study was descriptive and qualitative in nature.

## Analysis and Findings

### Land under tea garden

The tea gardens are situated in different places in Bangladesh. Most of them are in Sylhet, Moulovibazar, Hobigonj & Chattogram hill tract and some new gardens are in Panchagor district.

Here we listed total cultivated area in hector excluding area under nursery.

Year	Area (Hector)
2001	50037
2002	50,336



Year	Area (Hector)
2003	50,189
2004	50,648
2005	51,425
2006	51,955
2007	52,669
2008	52,953
2009	54,705
2010	53,808
2011	54,154
2012	55,247
2013	56,199
2014	56,412

The above table depicted the inclusion of new cultivable area each year under tea production. Obviously the new addition of land in this field showing the slow expansion of tea business according to local and foreign demand.

But on the other hand, the above table it also tell that, year to year expansion of tea land is not up to the mark. Only 12% new land has been added within 14 years which is very much poor indication of development of tea sector. So, we can say, there is no remarkable development has been occurred in tea sector of Bangladesh after British reign. In the mean time many tea garden owner sold their garden and new entrepreneur took over operation but no significant change has come in this business.

### Production, Export & Local Consumption of Tea

The following statement shows that, the tea production and consumption are increasing and export is decreasing day by day in Bangladesh. The prime reason behind this picture, the change of habit of people to drink tea. In the last three decade a large number of people of the country have been habituated to take tea in their daily life. As a result the export quantity has become less gradually to fulfill the local demand.

Year	Production (MT)	Export (MT)	Local Consumption(MT)
1990	45,160	26,970	18,190
1991	45,030	25,380	19,650
1992	48,930	27,160	21,770
1993	50,510	31,910	18,600
1994	51,640	23,664	27,976
1995	47,670	25,430	22,240
1996	53,400	26,150	27,250
1997	50,520	25,160	25,360
1998	55,820	22,220	33,600
1999	46,180	15,180	31,000
2000	52,640	18,100	34,540

Year	Production (MT)	Export (MT)	Local Consumption(MT)
2001	57,130	12,930	44,200
2002	53,620	13,650	39,970
2003	58,300	11,480	46,820
2004	55,990	12,930	43,060
2005	60,140	9,010	51,130
2006	53,470	4,790	48,680
2007	58,420	10,560	47,860
2008	58,660	8,390	50,270
2009	59,990	6,150	53,840
2010	60,040	2,020	58,020
2011	59,130	1,300	57,830
2012	67,930	1,610	66,320
2013	66,260	543	65,717
2014	63,878	2,661	61,820
2015	67,378	248	65,404
2016	58,050	77	67,031

### Import Status

Bangladesh, which was the world's fifth tea exporting country until 1990s, is now a tea importing country. At present on an average the country is importing around 8,000 MT tea annually.

The following chart will give a brief picture about import status of our country over the past few years.

Year	Import Qty(MT)
2010	2,000
2011	5,000
2012	3,000
2013	6,000
2014	7,000
2015	8,000
2016	8,200

From the above report it is clear that Bangladesh is being converted into tea importing country from tea exporting country. Between the three decade, people of Bangladesh have gained extra purchasing power and learnt to drink tea which was very low range in near past. This increasing trend will remain unchanged until this product reaches each hand of every nook & corner. So, a huge business opportunity is raising flag in the local tea market.

### Labor Cost

Tea industry is labor-intensive agro-based industry and in every phases of tree plantation(from nursery to green leaf) a large number of labor is required. More than 1 lac permanent and above 3 lac casual labor are working and living in tea garden areas. All but 100% labor are from tribal family like Santal, Murang, Unraw etc. 99% of them are hindu. Their culture, language,

social rules are totally separate from rest of the area of the country. Both men and women work together in tea garden throughout the year.

Another important matter is that, land vs labor in our country is 7 per hectare, but this ratio is higher in any other tea producing country of the world like India, Srilanka, Kaneya, China etc. For this lower engagement of labor per hectare resulting less quality tea in our country which is a great challenge for competing in international market.

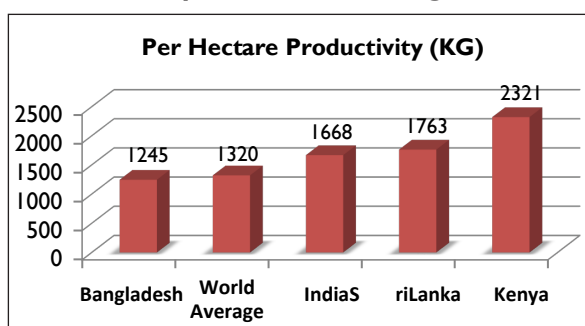
More than this, a major problem is observed that, labor of other casts except tribal are net particularly interested to work in tea garden. So, an acute labor crisis is prevailing in tea industries which may be a big threat in near future.

To face this challenge, it is quickly needed to introduce mechanical system. Taking mechanical facility in place of manual irrigation and plucking system, it is possible to reduce existing labor cost though some technological cost will incur.

### Irrigation System

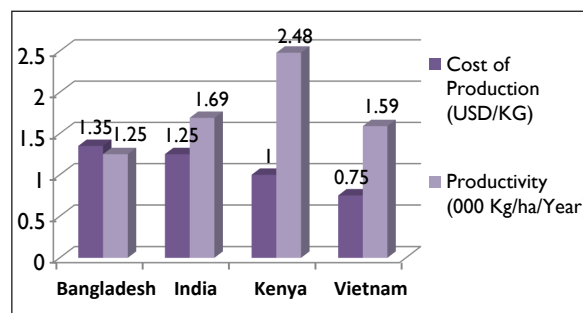
As a key nutrient, huge volume of water is required in the vast area of tea garden over the year for quality leaf production. But in our country the old or ancient watering or irrigation system is running in most of the garden till today. As a result green leaf production does not come up to the required level. In this context implementation of modern irrigation system in tea garden can stop misuse of life supporting natural resources(water) as well as can bring easy, quick and subsequent cost effectiveness in the process. Modern or smart watering system takes close notice of key factors in watering and attempts to analyze soil condition and accordingly nurtures plant with minimum wastage of water. In this system water is spread out over the tea plants through automatic sensor technology and thus all tea plants get equal water as per their requirement.

### Competitive disadvantage-1

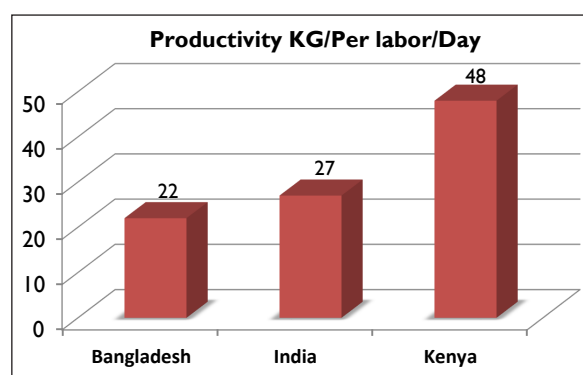


Per hector productivity of Bangladesh is lower than other big tea producing countries in the world like India, Srilanka, Kenya. This is our improvement area which can help to fulfill the incremental demand.

### Competitive disadvantage-2



### Competitive disadvantage-3



## SOWC Analysis

Following Table represents the SWOC analysis of the tea industry of Bangladesh. The strengths are Low labor cost, sufficient supply of labor, strong transportation system, production of high quality tea, and favorable government policy. The weaknesses include high production cost, low price realization, lack of marketing techniques, ancient tea garden, and low quality fertilizer used in production. The opportunities are high local demand of tea, high international demand of tea, production of green tea, expansion of auction center and new cultivable land for plantation. The challenges include withdrawing business by large companies, low customer interest on high quality tea, changing weather conditions, adulteration during manufacturing process and labor crisis except tribal labor.

## SWOC Table

Internal Factors	
Strengths	Weaknesses
Low labor cost	High production cost
Heavy rainfall from April to October	Low price realization
Strong transportation system	Lack of marketing techniques
Production of high quality tea	Ancient tea garden
Favorable government policy	Low quality fertilizer used in production

External Factors	
Opportunities	Challenges
High local demand of tea	Withdrawing business by large companies
High international demand of tea	Low customer interest on high quality tea
Production of green tea	Changing weather conditions
Expansion of auction center	Adulteration during manufacturing
New cultivable land for plantation	Labor crisis except tribal labor

## Recommendations

According to our findings, some recommendations were made to cope up with the challenges and to gain the benefit of the opportunities. These are as follows-


1. Modern and artificial irrigation system should be established to overcome the drought and inadequate rainfall.
2. Set up water reservoir and embankment for irrigation during crisis period.
3. Efficiency of labor(production/labor/day), productivity per hector should be increased. It could be possible to train labor force by more experienced and expert person.
4. Increase average utilization of cultivable land (above 55%, now it is 51.50%).
5. Set up additional labor shed(at least 15000unit), sanitary toilet(15,000), tubewell(20,000) for development of life living standard of labor.
6. Increase per hector labor(at least 10/hector) for quality tea production.
7. Prepare road,culvert and bridge where necessary.
8. The marketing process of tea industry needs to be revised. The production of green tea, ginger tea, Tulshi tea is still not very known to the customer of global market. The accountable party of the industry should take appropriate marketing strategy to overcome this problem.
9. The replacement of ancient tea bushes is essential. The authority needs to plant new trees in the garden and use natural fertilizer for the trees.

10. Modernization of factory and equipment to produce high quality black tea.

11. Avoid adulteration to kick out negative image of tea business both into local and global market.

12. De-motivate import of low cost tea by imposing extra duty.

The export of tea has been decreased over the last 3/4 decades but once upon a time it contributed a lot in the economy of Bangladesh through foreign exchange. So, if we want to capture international market again we need more production beyond local demand. Since in this time local demand is increasing day by day so there is no alternative to prepare new tea garden. In our hilly area there are huge uncultivable land which is possible to bring under tea cultivation. Government should give keen attention in this context immediately otherwise we have to be dependent on import in lieu of export.

Finally, this industry also creates employment facilities for a large number of people. The tea of Bangladesh is known all over the world for its aroma and distinctive quality yet the growth of the tea industry is not very satisfactory. The weather of the country is changing, as a result artificial irrigation is essential which upsurge the cost of production and simultaneously decrease the quality of tea. The government of Bangladesh directly or indirectly receives huge taxes from this sector. The government and the related authorities should provide support to improve the current situation by removing the challenges. 

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