



TEA PROMOTION

6. Introduction

Exports of Tea from India were higher in 2006-2007 and reached a level of 202.95 M.Kgs in quantum and Rs.1864.71 Crores in value realization as against 196.67 M.Kgs in quantum and Rs.1793.58 Crores in value realization, indicating thereby an increase of 6.28 M.Kgs in quantum and Rs. 71.13 Crores in value realization over 2005-2006. The increase in export of tea from India during 2006-07 was mainly attributable to the increase in export to Iraq, Afghanistan, Kenya, Pakistan and Egypt etc. during the financial year.

The increase in export of tea from India during 2006-07 was largely due to increased off take by countries like Iraq, Afghanistan, Kenya, Pakistan and ARE. A marginal improvement was also noticed in the countries like Ireland, Uzbekistan and Turkey during 2006-07 as compared to the corresponding period of 2005-06. During 2006-07 there was decline in exports to CIS countries including Russia, UAE, UK, USA, Iran. In addition, decline in exports to Germany, Canada, Poland, Saudi Arabia, Singapore, Japan, Sri Lanka and Australia was also noticed as compared to the corresponding period of 2005-06.

Several developments affecting Indian tea in the domestic and international market places required new initiatives from Tea Board and Industry for meeting the new challenges. Markets such as Russia/CIS, UK, A.R.E. (Egypt), UAE, Afghanistan, Pakistan etc. continued to be

of vital importance. In keeping with the requirements of the export and domestic markets there was a focus on quality in a sustained manner. Quality control projects continued to be actively pursued along with implementation of ISO 3720 Standards and HACCP (Hazard Analysis & Critical Control Points). Efforts continued to persuade producers to increase production of exportable quality good teas of orthodox variety.

There was a slow-down in the rate of domestic tea consumption, as a result of increasing competition from other beverages, particularly soft-drinks. To arrest the declining trend in domestic demand, tea promotion within India assumed greater importance and Tea Board continued organizing several promotional activities in the country. They were mainly aimed at the youth projecting tea as a lifestyle beverage and at young housewives, propagating health benefits of tea. The domestic generic campaign that was launched in the last quarter of the financial year 2005-06 continued during 2006-07. For projecting the quality image of Indian tea and supporting trade activities, Tea Board's modernized and re-oriented Tea Centre-cum-Trade Information Centre at Mumbai and Tea Centre, managed by an entrepreneur and supported by Tea Board which was opened in Ahmedabad continued to show good results. To encourage consumption of quality tea as well as tea in its varied formats, Tea Board plans to support more such ventures.

In the world scenario, the effects of the liberalised regime of imports under WTO obligations and freeing of tea imports among SAARC countries apart from India's Free Trade Agreement with Sri Lanka on preferential Tariff terms (thereby allowing import of Sri Lankan teas at concessional duty rate), increased competition in international markets, developments affecting Indian exports in countries such as Russia, Libya, Egypt etc. combined with declining prices of tea in Indian auctions, continued to provide a serious challenge to the Indian tea industry, during the year under review.

The activities of the Tea Promotion Directorate were considerably enhanced and upgraded through various pro-active activities and through continuation of



Scheme to tea exporters towards meeting additional transport and handling charges incurred for teas exported through I.C.D., Amingaon. During the year under review the transport subsidy was continued with the enhanced rate of Rs.1.50 per kg. In keeping with Ministry's MDA guidelines some nominal promotional assistance was provided to exporters. Regular promotional activities of the Board were also carried out on an extensive scale including through participation in various trade and consumer Fairs and Exhibitions internationally.

The table below gives position of Indian tea exports over the last 3 years.

| Year | Qty. (M.Kgs) | Value (Rs.Crs) | U.P. (Rs/Kg) |
|---------------|-----------------|-------------------|-----------------|
| 2004-2005 | 205.81 | 1924.71 | 93.52 |
| 2005-2006 | 196.67 | 1793.58 | 91.20 |
| 2006-2007 (E) | 202.95 | 1864.71 | 91.88 |

(E) — Estimated and subject to revision

The Board's export promotion work is carried out from Head Office and through its foreign offices located at London, Moscow & Dubai .

The present jurisdiction of the Board's Foreign offices are as under:

| | |
|--------|--|
| LONDON | UK, Ireland, Norway, Sweden, Denmark & Finland. Since the closure of Hamburg Office from July 2002, the following countries have come under the jurisdiction of London Office:- Belgium, Luxemburg, Netherlands, France, Germany, Italy, Spain, Portugal, Greece, Austria, Switzerland, Malta, Cyprus, Poland, Yugoslavia and its breakaway Republics such as Bosnia Herzgovina, Croatia and Slovenia. |
| Moscow | Russia and CIS countries |
| Dubai | West Asia and North Africa comprising Kuwait, Iran, Iraq, Bahrain, UAE, Saudi Arabia, Oman, Qatar, Yemen, Jordan, Syria, ARE, Libya, Sudan, Tunisia, Algeria, Morocco, Turkey and also South Africa. |

Promotional activities in countries other than those covered by the Overseas Offices are undertaken from the Board's Head Office in Kolkata with the help and co-operation of respective Indian Missions abroad.

The work of promotion is carried out at various levels :-

- a) Generic promotion through Tea Councils to increase overall consumption of tea including activities to communicate the health aspect of tea. India is a member of the Tea Councils of UK, Germany, Canada and USA.
- b) Promotional programmes for Indian tea are carried out by the Board's foreign offices to enhance demand for Indian tea and increase market share. Activities geared towards facilitating trade through these offices include participation in Fairs and Exhibitions, trade facilitation by way of arranging Buyer-Seller meets and visits by trade delegation, etc.
- c) Market development activities include market Surveys, market analysis and tracking of consumer behaviour. This also includes making all relevant information available to exporters/importers and through an information dissemination plan.
- d) In order to enhance the equity of Indian Tea and its various sub-brands, efforts are on to register the Board's logos in various markets as well as to popularise the usage of these logos and to prevent misuse by unauthorized users.

6.1 Activities from India.

The Directorate of Tea Promotion in the Board's Headquarters co-ordinated the activities of the Board's overseas offices to ensure proper monitoring of their promotional programmes and smooth functioning. Activities during the year 2006-2007 included the following:

- a) Organising the Board's participation in Trade Fairs and Exhibitions not covered by the Overseas Offices.
- b) Arranging the visit of the Board's representatives, tea delegations to foreign countries to participate in International Meetings, Fairs/Exhibitions and Buyer-Seller Meets.
- c) Organising the visits to India of tea delegations/buyers



- and media representatives from abroad, including arranging their meetings with tea trade, visits to tea areas etc.
- d) Maintaining liaison work with the tea trade, attending to trade enquiries, shipping and warehousing difficulties, keeping the tea trade informed of developments related to exports, as well as, dissemination of market and trade information.
 - e) Registration of producers, exporters, traders of Darjeeling tea under Darjeeling CTM Protection Process.
 - f) Issuance of Certificate of Origin for all exports of Darjeeling tea based on invoice-wise tracking of garden tea production.
 - g) Processing and disbursement of various assistance to trade/industry under Market Promotion Scheme of Tea Board.
 - h) Maintenance of accounts and budgeting on various allocations against activities under Market promotion Scheme.

Medium Term Export Strategy and Targets (2002-2007)

The year 2006 -07 witnessed further progress and implementation of some of the recommendations of the mid term export strategy.

Information Dissemination

As part of information dissemination the trade enquiries received at various fairs and exhibition received from time to time from various sources, were passed on to the industry members.

Market consolidation and Diversification of export market portfolio.

EFFORTS ARE ON TO CONSOLIDATE POSITION IN MARKETS WHERE INDIA HAS A SIGNIFICANT SHARE OF THE TEA MARKET, AND ALSO TO ENTER NEW MARKETS. THE GEOGRAPHIC MARKET PORTFOLIO NEEDS TO BE DIVERSIFIED IN ORDER TO REDUCE THE DEPENDENCE ON ONE OR TWO IMPORTING COUNTRIES AND CREATE A MORE BALANCED BASKET. EFFORTS ARE NOW BEING FOCUSED ON TAPPING THE POTENTIALS IN THE FAR EAST AND ASEAN REGION. TEA BOARD'S PARTICIPATION IN EVENTS IN CHINA ARE NOW SHOWING RESULTS. TEA BOARD'S PROMOTIONAL ACTIVITIES IN AUSTRALIA ARE ALSO SHOWING GOOD AND PROMISING RESULTS.

NICHE SEGMENT OPPORTUNITIES

THE INITIATIVES OF THE MID TERM STRATEGY ALSO TARGETS VALUE-ADDITION AND NICHE SEGMENT OPPORTUNITIES IN SPECIFIC MARKETS. EFFORTS WERE ON TO INCREASE ORTHODOX PRODUCTION. 40% OF THE WORLD'S CONSUMERS DRINK ORTHODOX TEAS WHEREAS 91% OF INDIAN TEA PRODUCED IS CTC. INDUSTRY HAS TAKEN INITIATIVES TO INCREASE ORTHODOX PRODUCTION, IN THE AREA OF QUALITY IMPROVEMENT AND COST REDUCTION, SPECIALITY TEAS LIKE DARJEELING HAVE BEEN BRANDED AS TOP END PRODUCTS, PROTECTED IN TERMS OF INTELLECTUAL PROPERTY RIGHTS.

Darjeeling tea registered as a geographical indication :

The quality, reputation and characteristics of Darjeeling tea are essentially attributable to its geographical origin. It possesses a flavour and quality which sets it apart from other teas, giving it the stature of a fine vintage wine. As a result it has won the patronage and recognition of discerning consumers worldwide for more than a century. Any member of the trade or public in ordering or purchasing Darjeeling tea will expect the tea to be the tea cultivated, grown and produced in the defined region of the District of Darjeeling and to have the special characteristics associated with such tea. Consequently, Darjeeling tea that is worthy of its name cannot be grown or manufactured anywhere else in the world. Darjeeling tea cannot be replicated anywhere.

DARJEELING TEA – Protection and Promotion

Under international law, geographical indications mean indications which identify a product as originating in the territory of a member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the product is essentially attributable to its geographical origin.

Darjeeling tea is India's treasured Geographical Indication and forms a very important part of India's cultural and collective intellectual heritage. It is of considerable importance to the economy of India because of the international reputation and consumer recognition enjoyed by it.



In the legal sphere, countries are seeking to protect Geographical Indications as geographical indications, collective marks or certification marks.

To assist the Tea Board in its role of authenticating regional origin of Darjeeling tea, it has developed the following logo – known as the DARJEELING logo



(DARJEELING Logo)

At a legal level, Tea Board is the owner of all intellectual property rights in the DARJEELING word and logo both in common law and under the provisions of the following statutes in India:

- (i) The Trade Marks Act 1999: DARJEELING word and logo are registered certification marks of Tea Board;
- (ii) The Geographical Indications of Goods (Registration and Protection) Act, 1999: DARJEELING word and logo were the first Geographical Indications to be registered in India in the name of the Tea Board;
- (iii) The Copyright Act, 1957: The DARJEELING logo is copyright protected and registered as an artistic work with the Copyright Office.

Use of the DARJEELING word and logo are protected as Geographical Indications in India and as Certification Trade Marks in UK, USA, Australia and India. A major development in this area is the registration of the Darjeeling word as a community collective mark in the European Union in 2006. An application is in the process of being filed in EU under EU Resolution 510 for registration of the Darjeeling word as a GI.

The DARJEELING logo is registered in Belgium, Netherlands, Luxembourg, Germany, Austria, Spain, France, Portugal, Italy, Switzerland, former Yugoslavia, Egypt and Lebanon as a collective mark, in Canada as an official mark, as a trademark in Japan and Russia. The DARJEELING word is also registered as a trademark in Russia. Tea Board has pending applications for registration of the Darjeeling word as a collective mark in Japan.

The certification scheme put in place by the Tea Board covers all stages from the production level to the export stage and meets the dual objective of ensuring that (a) tea sold as Darjeeling tea in India and worldwide is genuine Darjeeling tea produced in the defined regions of the District of Darjeeling and meets the criteria laid down by the Tea Board and (b) all sellers of genuine Darjeeling tea are duly licensed. This licensing program affords the Tea Board the necessary information and control over the Darjeeling tea industry to ensure that tea sold under the certification marks adheres to the standards for DARJEELING tea as set forth by the Tea Board.

Thus, only 100% Darjeeling tea is entitled carry the DARJEELING logo. While purchasing Darjeeling tea, you need to look for Tea Board's certification and license number otherwise you will not get the taste and character that you should expect from Darjeeling tea.

Section 24.9 of the TRIPS (Trade Related Intellectual Property Rights) states that no foreign jurisdiction is obliged to safeguard any Geographical Indication if the same has not been properly protected and enforced in the home country. With this principle in mind, an online system to monitor the supply chain system of the Darjeeling Tea has been introduced. An important requirement of the protection exercise is the maintenance of the integrity of the supply chain. This is a legal requirement. The administration of the system is left to member countries. WTO Member countries are also obliged to honour protected Geographical Indication of their member countries. As such it is expected that within the next 2/3 years all users of Darjeeling worldwide, both for the Word and the Logo are to be registered by Tea Board and licensed by the Board such that there is a clear picture of quantities traded in different countries and in which form. The accounting system is being revamped to account for all teas traded at different levels and will work in tandem with a ground level inspection agency appointed by Board's attorneys, KNS Partners on behalf of the Tea Board.

A Kolkata based software firm, with prior experience in the Tea Trade has been appointed to develop, monitor and maintain a software system where the entire trade chain can be tracked down, right from the Tea gardens at the garden level to the point of imports and packaging in various countries. The domestic market is also within this accounting system upto the first level of sale and the point of packaging. This system is being extended to ground level checking as



well. To this effect, a renowned international agency has been appointed to conduct onsite checks on quality and homogeneity of the teas packed based on organoleptic parameters as well as the optimum use of the logo and mark. This is undoubtedly a giant leap towards enforcements of rights and reputation across the globe.

These measures, have had a cumulative effect. Today, worldwide, there is an increasing awareness of the name Darjeeling as a protected entity.

In the meantime to promote Darjeeling tea and consolidate its equity alongwith increasing consumer awareness about Darjeeling as a Geographical Indication, the Tea Board is holding festivals in various export markets and running India origin tea campaigns together with retail chains and speciality restaurants.

GI protection has three requirements (1) legal protection (2) administrative protection whereby the supply chain integrity of the said GI products is maintained. This is being addressed through the upgraded software tracking system and proposed appointment of a ground level inspection agency. (3) promotion and strengthening brand equity. This addresses the commercial requirements of protection and has been strongly recommended by Board's legal attorney.

Promotion and influencing consumer perception are mandatory requirements for GI Protection, starting with the place of origin to countries where protection is sought. The reasons for this is as follows :

1. In settling GI protection/ infringement cases, Enforcement Authorities in different countries base their judgment on consumer perception vis a vis that particular GI amongst consumers of that country.
2. There is need to create awareness through consumer campaigns on what Darjeeling Tea is and the implications of GI protection. It is only awareness generation that will build on brand equity and make audiences at large and understand the consequences of violation of regulations. Without this awareness GIs cannot be protected.

In order to build on brand equity and create awareness of IPR protection in the domestic market, a press and outdoor campaign was launched during the first quarter of 2007 coinciding with the first flush, which is the most prominent of the Darjeeling seasons. Press ads were released in dailies and magazines. The target group included existing and new

Darjeeling Tea drinkers as well as the trade in Delhi, Kolkata, Mumbai, and Bangalore for Phase 1 covering Males and Females, Age 25+, SEC AB.

Protection of Assam and Nilgiri Teas

While Darjeeling Tea was the first Geographical Indication to be registered by the Board, work to prepare applications for registration of Assam and Nilgiri Teas were initiated during 2006 - 07. As such efforts are on to promote Assam, Nilgiri as well as Darjeeling tea. Public relations, trade fair participation and educational communication material is being used to increase awareness of India origin teas worldwide as well as in India. Both Assam and Nilgiri teas are also being protected with cases of infringements and misuse being challenged.

PARTICIPATION IN INTERNATIONAL FAIRS/EXHIBITIONS FROM HEAD OFFICE. DURING THE PERIOD UNDER REVIEW, PARTICIPATION IN THE FOLLOWING FAIRS AND EXHIBITIONS WAS ORGANIZED FROM HEAD OFFICE:

1. 7th SAARC Trade Fair, Karachi, Pakistan (16 – 18 June 2006)
2. Summer Fancy Food Show, New York (9 – 11 July, 2006)
3. Fine Food Australia, Melbourne (11 – 14 September 2006)
4. Tea & Coffee World Cup Asia, Shanghai (26 -28 September 2006)
5. Tea Festival Paris (28 -30 October 2006)
6. Fancy Food Exhibition, Chile (2 -4 November 2006)
7. BIO FACH 2007, NURENBURG, GERMANY (15 -17 FEBRUARY, 2006)
8. Foodex Japan (13 – 16 March 2007)

Generic promotion of tea in India

As part of the generic promotion of teas in India, Tea Board participated in the following events during the year under review :

| | |
|----|---|
| 1. | Kolkata Tourism Festival- Kolkata, = July,2006 |
| 2. | Challo Jaai TTE.06 -Kolkata, July 06 |
| 3. | All India Women's Conference-Kolkata, August 06 |
| 4. | Hanri Khabar-Kolkata, August 06 |
| 5. | Ganga Utsab-06-Kolkata, August 06 |
| 6. | 10th National Expo-06-Kolkata, September 06 |



| | |
|-----|---|
| 7. | Agro & Food Processing & Hospitality Expo-New Delhi, September 06 |
| 8. | Food Technology Expo-06-New Delhi, September 06 |
| 9. | East Himalayan Expo-Gangtok, Sikkim, October 06 |
| 10. | Food Processing Technology Expo-Noida, New Delhi, Nov.06 |
| 11. | Sonepur Mela-Bihar, Nov.06 |
| 12. | Kolkata Film Festival—Nandan, Kolkata, November 06 |
| 13. | Konark Festival-Konark, Orissa, December 06 |
| 14. | India Industrial International Trade Fair-Kolkata, Dec 06 |
| 15. | W.B. Tourism Fair-Kolkata, Feb.07 |
| 16. | Health Care- Mumbai, March-07 |

Indian tea advertisements, with articles in some cases, were released in a number of national and other magazines, newspapers, supplements etc, highlighting tea as health and lifestyle beverage.

Domestic Generic Promotion.

For quite sometime the need had been felt for undertaking a domestic generic campaign

- to position tea as a good natural and life style beverage
- to educate the public about the regional varieties of teas that are available
- to inform about the health attributes of tea
- to inform that tea can be used in a variety of ways.

Since the task was too vast it was decided that initially the campaign be targeted at urban youths 16-24 years. TV was used as the prime medium in the first phase because of its wide penetration among the T.G as well as reach and recall. The campaign was launched in the last quarter of the financial year 2005-06 and continued in phases through 2006-07 supported by the print medium.

While TV has good penetration, reach and recall it is not

the best medium when it comes to conveying information about the regional varieties of tea, the health attributes to teas and the fact that tea can be used in a variety of ways. Print, therefore, becomes the best medium for such communication. The TG for the print campaign was 25-35, members who take life seriously and also seek information. Views of the members of industry had been taken into account and the creative developed accordingly. The multi ad print campaign consisting of 17 different ideas had been converted into advertisements. The print campaign commenced in July, 2006 and continued up to February, 2007. Tea Board's electronic and print campaign coupled with the ad campaigns of the major companies did generate a fair amount of interest in tea. Since there is a lot to communicate, the campaign needs to be sustained. For 2007-08 iced tea campaign is planned.

6.2 Production of Publicity Materials and Gift Items.

The Directorate continued its regular functions of production and printing of promotional literature/ items, catering to the request for publicity materials, tea caddies, etc., from the Board's foreign offices and Indian Missions abroad, interacting with the general public, domestic and foreign press and other VIPs/Government Officials, prospective tea buyers, etc.

6.3 Tea Promotion in India.

With the slow down in the rate of domestic consumption of tea, increasing competition from other beverages and developments in the global arena, such as, the liberalized regime of imports under WTO obligations, there has been a revised focus of the Board on tea promotion in India.

The Board continued to maintain four Tea Bar/ Buffets at Parliament House, Yojana Bhawan, Udyog Bhawan and North Block in New Delhi, a Tea Nook in Tirumala and Tea Room at Tamil Nadu Secretariat, Chennai, which presently function mainly as public relations platforms and serve high quality Indian teas at such venues, frequented by VIPs, foreign visitors and other guests. A new Tea Centre opened at Chennai Mofussil Bus Terminus (CMBT) has been functioning since April, 2004.



For running Board's Tea Center in Mumbai, M/s Basu Media who was appointed as Management Consultant from 1st June 2002, continued to manage the Tea Centre on behalf of Tea Board.

6.4 Delegations/Visitors from abroad.

The Board endeavors to maintain and improve trade relations between exporters and importers by direct contact and discussions. In bound delegations have been encouraged. During the year 2006-07 the Board received and organized the visit of the following delegations:-

A 14 member delegation from Pakistan under the banner of Pakistan Tea Association visited India in April 2007 as guest of Tea Board. Apart from business dealings with their Indian counterparts, the visit also served a very important purpose which is Public Relation.

6.5 Delegations/Deputations from India.

1. Mrs. Rupali Datta, Director of Tea Promotion was deputed to Libya to organise Board's participation in 'Tripoli International Fair' from 8-12 April 2006 along with Mrs. Priya Kumar, Director of Tea Promotion, (Dubai).
2. Mr. P.K. Lahiri, Secretary and Mr. A.K. Kala, Section Officer (NWI) were deputed to Germany to organise Board's participation in 'Industrial Exhibition' at Hanover from 21 -28 May 2006.
3. Mr. B. Banerjee, Chairman, Tea Board and Mr. H.N. Dwibedi, Controller of Licensing were deputed to London to attend International Tea Committee from 2 -7 May 2006.
4. Mr. C. Saikia, Executive Director, Tea Board, Guwahati was deputed to Iran to organise 'Iran Agro Food Fair' at Tehran from 28 – 31 May 2006 along with Mrs. Priya Kumar, Director of Tea Promotion, (Dubai).
5. Mr. R. D. Nazeem, Executive Director, Tea Board, Coonoor and Mr. A.K. Kala, Special Officer (NWI) were deputed to Pakistan. to organise 7th SAARC Trade Fair, Karachi from 16 to 18 June 2006.
6. Mr. B. Banerjee, Chairman, Tea Board and Mr. H.N. Dwibedi, Controller of Licensing were deputed to Sri Lanka to attend 7th Technical Level Negotiations between India – Sri Lanka on CEPA. From 27th to 29th June, 2006
7. Mrs. Y. Ray Chaudhuri, FA&CAO, Tea Board and Mrs. A.Ray, DDTP, Tea Board, were deputed to USA to organise Tea Board's participation in 'Summer Fancy Food Show' in New York from 9th to 11th July, 2006.
8. Mr. B. Banerjee, Chairman, Tea Board accompanied by Mrs. A. Das Rout, Director, Ministry of Commerce, New Delhi and Mrs. P. Kumar, DTP (Dubai) led a trade delegation for a Buyer-Seller Meet in Egypt and Iran along with from 8th to 13th September, 2006.
9. Mr. S. C Biswas, DDTP, Tea Board and Mr. S. Mitra, DDTP, Tea Board were deputed to Australia from 10th to 15th September, 2006 for organising Tea Board's participation in 'Fine food Australia'.
10. Mr. B. Banerjee, Chairman, Tea Board accompanied by Mrs. R. Datta, DTP, Tea Board led a trade delegation for a Buyer-Seller-Meet coinciding with Board's participation in 'Tea and Coffee World Cup', Shanghai, China from 24th to 30 September, 2006.
11. Mrs. A. Ray, DTP, Tea Board deputed to Moscow to organise Board's participation in 'World Food Moscow 2006' from 6th to 8th October, 2006 .
12. Mr. A. K. Kala, Special Officer (NWI) and Mr. M. Paramanathan, Statistician, Tea Board were deputed to Tashkent to organise Tea Board's participation in '3rd Indian Trade Exhibition, Tashkent, Uzbekistan, 2006' from 6th to 8th October, 2006.
13. Mrs. R. Datta, DTP, Tea Board and Mrs. N. Datta, Publicity Officer, Tea Board were deputed to Paris to organise tea Board's participation in the 'Tea Festival, Paris, 2006 from 26th to 30th October, 2006.



14. Mr. P. K. Lahiri, Secretary, Tea Board and Mrs. A. Ray, DTP, Tea Board were deputed to Chile to organise tea Board's participation in 'Fancy Food Expo, Alimena, Santiago, Chile, 2006 from 1st to 6th November, 2006
15. Mr. S. C. Biswas, DDTP, Tea Board was deputed to Tunis to organise Tea Board's participation in 'Tunis International Fair' from 10th to 18th November, 2006 along with Mrs. Priya Kumar, Director of Tea Promotion, (Dubai).
16. Mr. G. Boriah, DTD was deputed to Iran to organise jointly with Mrs. Priya Kumar, Director of Tea Promotion, (Dubai), Tea Board's participation in 'World of Tea Seminar & Exhibition in Iran from 19th to 21st November, 2006.
17. Mr. B. Banerjee, Chairman, Tea Board and Dr. H. N. Dwivedi, Controller of Licensing, Tea Board attended 'International Tea Business Conference & 17th Session of IGG on tea in Kenya' from 26th November to 1st December, 2006.
18. Mrs. A. Ray, DTP, Tea Board was deputed to Germany to organise Board's participation in 'Bio Fach 2007, Nuremberg, Germany' from 15th to 17th February, 2007.
19. Mrs. N. Datta, Publicity Officer, Tea Board and Mr. T. Narsimha, S.O. , MOC were deputed to Japan to organise Board's participation in Foodex Japan from 13th – 16th March 2007.
20. Mr. V. Kapoor, Under Secretary, MOC and Mr. S. Mitra, DDTP, Tea Board were deputed to London to organise Board's participation in IFE, London from 18th to 21 March 2007.
21. Mr. A. K. Gupta, S.O. MOC was deputed to Cairo to organise Cairo International Fair, Egypt from 21st to 30th March 2007.along with Ms. Priya Kumar, DTP, Dubai.

6.6 Overseas

Export of tea from India to some major destinations.

| Name of the Countries | 2006-2007 (Estimated) | | 2005-2006 (Actual) | |
|-----------------------|--------------------------|---------------------|-----------------------|---------------------|
| | Qty (M.Kgs.) | Value (Rs. Crs.) | Qty (M.Kgs.) | Value (Rs. Crs.) |
| Russian Federation | 34.57 | 270.67 | 36.47 | 268.22 |
| Kazakhstan | 8.98 | 97.11 | 10.83 | 114.28 |
| Ukraine | 0.93 | 6.59 | 0.90 | 5.87 |
| Uzbekistan | 0.22 | 1.65 | 0.24 | 1.72 |
| Other CIS | 0.19 | 2.86 | 0.53 | 5.31 |
| Total CIS | 44.89 | 378.88 | 48.97 | 395.40 |
| United Kingdom | 19.43 | 182.79 | 21.59 | 186.17 |
| Netherlands | 2.79 | 44.10 | 2.78 | 36.30 |



| Name of the Countries | 2006-2007 (Estimated) | | 2005-2006 (Actual) | |
|-----------------------|--------------------------|---------------------|-----------------------|---------------------|
| | Qty (M.Kgs.) | Value (Rs. Crs.) | Qty (M.Kgs.) | Value (Rs. Crs.) |
| Germany | 4.07 | 82.03 | 4.97 | 100.84 |
| Ireland | 2.36 | 45.55 | 2.08 | 28.47 |
| Poland | 3.70 | 32.59 | 4.00 | 31.30 |
| U.S.A. | 7.72 | 124.68 | 9.30 | 136.30 |
| Canada | 0.90 | 12.05 | 1.61 | 19.61 |
| U.A.E. | 23.60 | 241.36 | 26.78 | 265.87 |
| Iran | 5.36 | 56.99 | 6.49 | 65.02 |
| Iraq | 36.57 | 188.44 | 30.53 | 158.06 |
| Saudi Arabia | 1.01 | 9.90 | 1.27 | 12.49 |
| A.R.E. | 3.08 | 23.42 | 0.74 | 5.05 |
| Turkey | 0.18 | 1.12 | 0.12 | 1.02 |
| Afghanistan | 9.35 | 51.29 | 3.52 | 16.53 |
| Singapore | 0.41 | 6.20 | 0.49 | 6.92 |
| Sri Lanka | 2.53 | 24.58 | 2.69 | 25.03 |
| Kenya | 8.29 | 46.11 | 2.65 | 11.77 |
| Japan | 2.40 | 56.57 | 2.95 | 69.38 |
| Pakistan | 14.07 | 88.81 | 10.71 | 43.87 |
| Australia | 4.31 | 85.83 | 4.76 | 81.95 |
| Other Countries | 5.93 | 81.42 | 7.67 | 96.23 |
| TOTAL | 202.95 | 1864.71 | 196.67 | 1793.58 |
| UNIT PRICE (Rs/Kg) | | 91.88 | | 91.20 |



London Office

The Board's London Office looks after the publicity and promotion of Indian tea in U.K, Ireland, Scandinavia, European countries and Poland.

The Office plays a strategic role in developing markets and promoting Indian tea in these countries. The aim is to increase sales, exports and market share of Indian teas by building long-term and mutually beneficial relationships between Indian exporters and overseas buyers for commercial advantage to the Indian tea industry

Mandate

The mandate of the office now encompasses a large range of activities including market intelligence collation, information dissemination protection of intellectual properties.

Certification Trade Mark (CTM) Scheme

This scheme was introduced by the Tea Board for the purpose of ensuring that the value and cachet that is attached to Darjeeling tea is protected. Further discussions were held with the tea trade members of UK and Germany aimed at implementation of the CTM scheme.

Pesticide Residue

There is a high risk of exports to the EU getting curtailed on account of Pesticide Residues. Europe especially the EU, is a major export destination for high value Indian tea. However Pesticide Residue regulations in the EU could possibly have a curtailing effect on export Indian Tea to Europe especially Germany. Keeping the high risk factor involved DTP was in constant touch with the tea trade members in U.K. and Germany trying to organize co-ordinated action so that exports of teas from India do not suffer.

Fairs & Exhibitions

In the absence of a regular Director of Tea Promotion for a prolonged period, activities of London office was limited.

The London office participated in the following Fairs and Exhibitions during the year.

1. International Food & Drink Exhibition, London from 18th to 21st March, 2007.
2. Commonwealth Fair, London on 4th November, 2006.

Other tea promotion events included service of Darjeeling tea at the reception organized by the Indian High Commission during Independence Day and Republic Day.

UK

UK is the 2nd largest importer of tea and accounts for 14% of world imports. Kenya and Malawi account for over 50% of imports while India, Indonesia, Sri Lanka and China account for another 33%. In value terms, these 6 countries account for 84% of imports. India realises the highest unit price per kg vis-à-vis Africa and Indonesia. Tea has the highest per capita consumption (3 units/head), compared to other beverages. 69% of the population over age 10 drinks tea daily. UK imports an average of 156 mn kg a valued at USD 273 mn, India exported 19.43 mn kgs of tea to UK in 2006-07.

Product quality, as defined by the end consumer, is tea colour and liquor strength. Compared to other suppliers, Kenya supplies the best quality teas at the least cost. Hence Importers prefer Kenyan teas in blends. However, the end consumer perceives higher brand equity in Indian (Assam, Nilgiris and Darjeeling) and Ceylon teas. Teas of African origin have low consumer mind share, as they go into blends, not stand-alone brands. Indian tea, because of seasonal availability, increases working capital costs of blender importers.

Germany

Tea imports into Germany in the last few years has increased gradually. The import figure for 2005 stood at 42 m.Kgs. Germany is one of India's top five markets. It is a quality conscious premium market. India derives a substantial premium compared to other origins. India exported 4.07 mn kgs of tea to Germany in 2006-07. Germany consumes about 55% of imports and re-exports the remaining 45%. Germany is mainly a cold beverages market, and within hot drinks, tea accounts for ~ 11%. Coffee and new tea forms like herbal & fruit tea are the major threats to tea. However, tea is



perceived to be a premium product, and consumer tastes are sophisticated.

Black tea accounts for ~ 85% of Germany's imports. Most of the tea is orthodox / leaf variety. Indian tea enjoys a high brand equity. India, Sri Lanka, China and Indonesia account for 71% of imports.

Unlike the rest of Germany, tea is the national drink of East Friesland (located in North Germany) for over 300 years. Per capita consumption of tea in East Friesland is about 3 kg. This is substantially higher than the Germany average of 250 gm. Tea drinking is a ritual and is associated with an elaborate ceremony. Consumers drink a minimum of 3 cups of tea, on each occasion. This region has the highest per capita consumption of Assam Tea.

France

France imports around 9-11m. kgs of tea. The main exporting countries are China, Sri Lanka, UK and Benelux countries, the last two being non producing re-exporting countries. This indicates that there is scope to develop direct exports especially in the value added format. France has also been indicated as a focus market for Darjeeling and is included in the global promotion plan for Darjeeling tea. According to the Market Research study on France conducted by London office in 2003, tea represents less than 4 % of overall volume sales in the hot drinks market but with an increase of 25. 6 % (value terms) between 1997 and 2002. Between 2001 – 02, it grew by over 5% both in volume and value terms. However tea sales grew in 2001 due to innovation in fruit and herbal teas in keeping with the French inclination towards consumption of healthy food and drinks. While tea bags and convenience products are the most favoured forms amongst consumers, tea drinking is expected to grow by around 25% (value terms) over the period 2002 – 06.

U.K. Tea Council

DTP participated actively in all the meetings of the U.K. Tea Council to further the interests of Indian tea and safeguard Darjeeling CTM as well as on various issues relating to tea trade and market promotion.

German Tea Association / Tea Council

DTP participated actively in the meetings of the German Tea Council. On the pesticide residue issue India's views were stressed.

Market Survey: The Tea Board, London conducted a market survey and found that awareness about Darjeeling and Assam teas is fairly high in the UK. There is a visible 'shelf presence' of these teas (especially in tea bags) in all supermarkets such as Tesco, Sainsbury, Waitrose and Marks & Spencer as well as in premium stores such as Harrods. Efforts are being made to promote Indian range of teas through tea tasting sessions, tea contests etc. in supermarkets. The UK Tea Council undertook a tea advertising campaign from 9th October to 4th November, 2006, focusing on the 'tea for health' theme, which has further increased public interest in tea. The campaign was carried out in the 'London Underground' and the 'Metro' newspaper. Lipton, Tetley and Twinings have also been extensively advertising their tea ranges, including Indian ones, through the print media and hoardings.

Moscow Office :

The Moscow Office continued to cover the entire region of the Russian Federation, CIS countries that include Ukraine, Byelorussia, Kazakhstan, Armenia, Azerbaijan, Turkmenistan, Uzbekistan, Kyrgyzstan, Tajikistan, Georgia and Moldova and the Baltic countries of Latvia, Estonia and Lithuania. The activities during the year were centered around the more important markets of Russia, Kazakhstan, Ukraine and Uzbekistan.

Market Scenario

Russian Federation with a tea market size of about 172 Million Kg is the biggest market for Indian tea exports (in volume terms). Indian tea exports to Russia have declined from 36.47 million Kg in FY 2005-06 to 34.57 Million Kg in FY 2006-07. There has been a nominal value increase from Rs. 268.22 crores in 2005-06 to Rs. 270.67 crores in 2006-07. This increase in value realization not only reflects the high prices that prevailed in the Indian auctions at which teas were bought for export to Russia but also points to a shift in the buying pattern from the



cheaper varieties of South Indian teas to the more expensive North Indian teas. All the major tea players in the Russian market – Orimi Trade, May Tea Company, Unilever – Russia and Ahmad Tea have introduced Darjeeling teas in the market. Assam orthodox teas are competing well vis-a-vis the Sri Lankan orthodox teas on the quality front and Assam CTC teas are doing equally well as the tea bag segment grows robustly in this market. Russia has been enjoying unprecedented economic prosperity since the year 2000 driven by their political stability & booming oil, gas and metals sectors. The affluence and high purchasing power of the Russians can be seen in their big cities where the consumers are demanding good quality teas in attractive packets.

Indian teas in Russia are losing their market share to teas from Sri Lanka, Indonesia, Vietnam and Kenya, causing concern. In the orthodox teas – premium segment, Indian teas are losing to Sri Lanka on the physical appearance and image front as the average Russian consumer still perceives the Sri Lankan teas to be of better quality than the Indian teas. In the orthodox teas – economy segment, Indian teas both North and South Indian have not been able to match the cheaper prices offered by Indonesia and Vietnam, where teas are plucked and processed in a non plantation nature of industry and thus there are not high labour wages and high social overheads, which plantations in India, have to cope up with. In the CTC tea segment (used in tea bags) the share of Indian teas has been nibbled by the growing demand for CTCs from Kenya which are competitively priced and of good quality owing to their lower labour wages and younger tea bushes. The main reason for the decline in exports has been the prevalence of high prices at Indian auction centers for most part of the fiscal and the strong Indian Rupee vis-a-vis the currencies of other countries. Added to this is the general perception of the Indian exporting fraternity that Russia is still a risky market in terms of lack of transparency and insistence of the Russian companies to give long periods of credit and sometimes furnishing credit guarantees of Russian Banks that are not acceptable to the Indian banks.

The New Tea Distribution and Export Order, 2005 under the provisions of the Tea Act, 1953, sought to address

the concerns regarding the quality of Indian teas received abroad. It is a positive supply side step. Teas currently exported to Russia are certified under GOSSTANDARD only. They can now be certified as per the guidelines of the new order. The step is expected to ensure the quality of Indian tea exported to the Russian market and help to boost our exports

Three pronged strategy for developing Indian tea exports to Russia, the biggest market in this region.

The strategy for further developing the tea market in Russia is three pronged :-

- (i) As Russia is a relationship market, Tea Board, Moscow has been encouraging the Indian Tea Companies to open Representative Offices in Moscow / St. Petersburg to liaison with the Russian tea companies on a regular basis.
- (ii) As Russia has graduated from a "command and control" economy to a "market economy" and as the average Russian consumer becomes more affluent and discerning and is demanding good quality teas in attractive packets, Tea Board is encouraging Indian tea companies to also graduate from being bulk tea exporter to branded tea exporter.
- (iii) As there is a 5% import duty on bulk tea imports to Russia but a 20% import duty on packed tea imports to Russia, the Indian tea companies are being motivated to set up tea packaging and bagging factories in Russia.

Follow up of the pending cases in Rospatent

From time to time, Tea Board of India, Moscow office has been following up with the progress of the pending cases of Tea Board of India, Kolkata in Rospatent with the Russian Patent Attorneys – Gorodissky & Partner – the Russian Associates of M/s. K & S Partners, New Delhi, who have been engaged by the Tea Board of India, Kolkata.

Fairs & Exhibitions

During the year under review, Board's Moscow office participated in the following exhibitions :-

1. World Food, Moscow (20 -23 September, 2006)



2. '3rd India Trade Exhibition' in Tashkent, Uzbekistan (6-8 October, 2006)
3. World Food Ukraine, Kiev (31st October to 3rd November 2006)
4. Prodexpo, Moscow, 2007 (12 -16 February, 2007)

Dubai office

The Dubai office of Tea Board looks after the promotion of Indian tea in the West Asia and the North African region. The region covers the countries of UAE, Saudi Arabia, Iraq, Iran, Syria, Jordan, Morocco, Algeria, Tunisia, Libya, Sudan, Kuwait, Qatar, Bahrain, Oman, ARE, Lebanon and Yemen. Pakistan and Afghanistan have been recently added to the responsibility of the Dubai Office. This office also handles trade enquiries from Turkey and South Africa. The Board's Dubai office carried out the following activities to promote Indian tea, enhance demand of Indian tea and increase market share: -

- a) the field promotion and
- b) media campaign

Field promotion activities include participation in Fairs & Exhibitions, organizing buyer-seller-meets, market survey including collection of tea prices & statistical data for the benefit of exporters & respective Govt. agencies, regular interaction with tea importers, keeping constant touch with Indian Missions in different countries for logistic support, analyzing the customers' choice of tea and its price, etc.

Media campaign includes creating awareness about the different "Logos" of Indian tea, and the distinct varieties of tea which are available in India.

In addition to the above, Tea Board being the trade promotional organization also participates in the different meetings/workshop of Indian Business & Professional Council/Dubai Chamber of Commerce. Continuous contact is maintained with the importers, both locally and in other countries of the region. The office serves as an interface between the buyer and seller of Indian tea, deals with trade enquiries for supply of Indian tea and has available information regarding auction prices and the Indian tea traders for the convenience of buyers.

Board's Advertisements

On the occasion of India's Independence on 15th August 2006 Dubai office released advertisements in 6 leading newspapers in various countries of the WANA region.

On the occasion of India's Republic Day on 26th Jan 2007 Dubai office released advertisements in 6 leading news papers in various countries in the WANA region.

We also released Col. Ads. in 'UAE Commercial Directory 2007', "Dubai Commercial Directory 2006-07", "Middle East Food Magazine", "Special Gulf Food 2007 supplement of Khaleej Times, UAE", "Special book published by the General Secretariat of Municipalities of UAE on the occasion of 35th anniversary of UAE National Day", and "Special Bi-Lingual Release of Indian Embassy, Abu Dhabi". Membership of 'IBPC' (Indian Business & Professional Council) was also renewed.

Most of news papers/special supplements published my articles on Indian Tea - free of charge. A number of trade enquiries were received immediately after the issue of the above advertisements.

Participation in Fairs / Exhibition

Dubai office participated in six Fairs & Exhibitions during 2006-07.

1. Tripoli International Fair 2006, Tripoli, Libya- 2nd - 12th April 2006
2. Iran Agro Food 2006, Teheran, Iran- 28th May-31st May 2006
3. Tunis International Fair, Tunis, Tunisia- 10th -18th November 2006
4. World of Tea Seminar & Exhibition, Tehran, Iran 19th -21st November 2006
5. Gulf Food 2007, Dubai, UAE- 19th -22nd February 2007



6. Cairo International Fair, Cairo, Egypt- 21st -30th March 2007

(B) Other events:

1. Malta Special Promotion from 8-13 May 2006, organized by the Embassy of India in which Tea Board participated along with the India Tourism Board.
2. Tea Board participated as a sponsor in the "Putting for Charity" event organized at the Centrepont Mall, Burdubai as part of the Dubai Shopping Festival events. Indian Tourism Board also participated in the event as a lead sponsor

(C) Buyer-Seller Meets

During the year 2006-2007, four Buyer-Seller Meets were organized, one each in Dubai, and Tehran and two in Cairo.

The visits of high-level tea delegations to this region helped in bringing Indian tea into focus once again. Iran and Egypt specially are big tea consuming countries and a focus market for promoting Indian tea. As the tea delegations comprised of leading Indian tea producing and exporting companies, it was possible to showcase the best of the Indian tea industry to the buyers. The exporters also could establish contact with some leading buyers and most intend to visit these countries separately for further follow up.

WANA General: -

Export of Indian tea for last three years in WANA countries

are as under: -

| Year | Quantity (M.Kgs) | Value (Rs Crs) |
|----------|------------------|----------------|
| 2004 | 67.02 | 543.22 |
| 2005 | 74.64 | 585.12 |
| 2006 (E) | 74.93 | 544.54 |

(E) — Estimated and subject to revision

Type of teas imported by WANA countries: -

- (a) Middle East: Largely orthodox but now CTC is also gaining acceptance in countries like Saudi Arabia and Iran. In UAE, domestically CTC is popular due to the large expatriate population from India and Pakistan.
- (b) Egypt: CTC Dust and Broken
- (c) Libya: Black Tea-Orthodox and Green Tea
- (d) Tunisia: Orthodox –Black & Green Tea

Competition: -

Middle East market is very competitive in terms of price and quality. Tea is drunk largely without milk and the appearance and colour of tea is the yardstick of first choice. Being a major tea consuming area, stiff competition is faced from Sri Lankan teas besides increasing popularity of Kenyan teas. African teas are finding their way into the market due to their price competitiveness and quality, besides the year round availability of supply.



Country wise export : -

At-a-glance- Export of Indian Tea to WANA Countries:

| Name of Country | 2006-2007 (E) | | 2005-2006 | | 2004-2005 | |
|-----------------|-----------------|--------------------|-----------------|--------------------|-----------------|--------------------|
| | Qty (M.Kgs.) | Value (Rs.Crs.) | Qty (M.Kgs.) | Value (Rs.Crs.) | Qty (M.Kgs.) | Value (Rs.Crs.) |
| A. R. E. | 3.08 | 23.42 | 0.74 | 5.05 | 0.05 | 0.28 |
| Bahrain | 0.15 | 3.05 | 0.21 | 3.29 | 0.13 | 2.34 |
| Iran | 5.36 | 56.99 | 6.49 | 65.02 | 6.78 | 81.26 |
| Iraq | 36.57 | 188.44 | 30.53 | 158.06 | 38.38 | 204.45 |
| Israel | 0.24 | 6.12 | 0.13 | 3.51 | 0.02 | 0.19 |
| Jordan | - | - | 0.22 | 2.5 | 2.12 | 10.87 |
| Kuwait | 0.35 | 4.83 | 0.31 | 4.14 | 0.28 | 3.92 |
| Lebanon | 0.01 | 0.05 | 0.02 | 0.2 | - | - |
| Libya | 0.06 | 0.36 | 2.16 | 14.57 | 0.99 | 7.33 |
| Morocco | - | - | - | - | 0.01 | 0.16 |
| Muscat | 0.13 | 1.99 | 0.33 | 3.52 | 0.43 | 4.44 |
| Qatar | 0.26 | 5.58 | 0.21 | 2.76 | 0.20 | 2.62 |
| Saudi Arabia | 1.01 | 9.9 | 1.27 | 12.49 | 0.82 | 8.79 |
| Sudan | - | - | - | - | 0.05 | 0.52 |
| Syria | 0.04 | 0.35 | 0.12 | 0.79 | 2.49 | 12.03 |
| Tunisia | 0.29 | 1.37 | 0.01 | 0.08 | 0.72 | 3.72 |
| Turkey | 0.18 | 1.12 | 0.12 | 1.02 | 1.36 | 6.76 |
| U.A. E. | 23.6 | 241.36 | 26.78 | 265.87 | 24.27 | 271.42 |
| Yemen | 0.72 | 4.76 | 0.31 | 1.95 | 0.61 | 3.85 |
| Total WANA | 72.05 | 549.69 | 69.96 | 544.82 | 79.71 | 624.95 |

(Source: Tea Board, Kolkata)



There had been a moderate increase in exports of Indian tea to the WANA region. There was an increase in exports to Egypt, Iraq, Israel, Kuwait, Syria, Tunisia, Turkey and Qatar. There was however, a significant decline in exports to Libya, UAE, Iran, Jordan and Oman. Libyan exports have been largely affected due to the quality issues being faced there. Exporter-wise export data indicates that the decline in exports to UAE was largely due to the decline in exports by Hindustan Lever Ltd, which supplies to Unilever Gulf, one of the largest brands here. Unilever Gulf has changed its internal policy regarding procurement of packet tea from Hindustan Lever. Other Indian tea exporters however, increased their exports to UAE.

UAE

UAE follows a very liberal trade policy with no protective tariff or non-tariff barriers on imports and there is an absence of corporate tax, sales tax and personal tax. Besides, the region's food and beverage industry is one of the fastest growing worldwide, particularly since over 90% of the Gulf's food is imported. Dubai is the hub of tea trade in UAE. Large volumes of tea are currently transacted through Dubai, both physically cleared into Dubai and re-exported as well as transhipped through Dubai ports. Tea is re-exported to markets like Iran, Iraq and Saudi Arabia, besides other Middle East and CIS countries.

According to Dubai Port & Customs' figures, in 2005, in Dubai alone, 79.28 million kgs of tea were imported, of which Indian tea accounted for 17.92 million kgs (Dh 227 million). This figure however, does not take into account the tea imported into Jebel Ali Free Zone and re-exported from there. The Jebel Ali Free Zone is treated as a separate country/entity by the Customs Authorities while compiling their figures and therefore the teas cleared from Jebel Ali into Dubai are reflected as imports of tea into Dubai. Of the total imports of tea cleared into Dubai, 0.66 million kgs was green tea while 78.62 million kgs was black tea. There has been considerable increase in imports of green tea from 0.38 million kgs in 2004. The Free Zone import figures which are available for 2005 indicate total tea import of 39.48 million kgs. of this, tea imported from India stood at 20.09 million kgs (Dh. 155.51 million). Many of the big tea companies/packing units, including Lipton are located in the Jebel Ali Free Zone, and source their tea there for packing. Besides, some Indian

tea companies have also become members of the Dubai Tea Trading Centre (DTTC) and are stocking and re-exporting their teas from the DTTC warehouses in Jebel Ali.

The UAE market is largely dominated by Lipton, which has nearly 70% of the market share. More than 20 brands vie for the remaining share of the market. UK based Newby Teas also stepped into the Middle East market this year. The company, which markets itself as a "Super Premium" tea brand, launched its Dubai based Middle East headquarters. It is reported to be aiming at a \$50 million share of the Middle East's tea market in the next five years. While the UAE domestic market for tea is not very large due to the small population, the market as a centre for tea re-exports is very large. This market is largely a CTC market preferring mainly the Assam CTCs among Indian teas. However, while in packet tea, pure Assam CTCs are available, the tea bag market comprises largely blends of Indian and Kenyan teas or pure Sri Lankan tea. The main problems facing Indian tea in this region is the quality of tea and the inconsistency of supply through the year due to seasonality of production. This has enabled other origins like Kenya besides Sri Lanka, to find increasing acceptance in this market.

Arab Republic of Egypt

The Arab Republic of Egypt has traditionally been one of India's most important trading partners in the African continent. It is also one of the major tea consuming countries in the WANA region, importing more than 70 million kgs of tea annually for consumption. In 2005, Egypt imported 76,500 MT of tea. The countrywise imports were as follows :

| Country | Quantity (in MT) |
|-----------|------------------|
| India | 300 |
| Sri Lanka | 1000 |
| Indonesia | 900 |
| China | 700 |
| Kenya | 72,000 |
| Others | 1,600 |
| Total | 76,500 |

(Source : ITC Annual Bulletin of Statistics 2006)



The per capita tea consumption in Egypt is nearly 1kg. per annum. CTC teas are preferred in this market, mainly the Dust grades. The country has been a big market for Indian teas in the past, with exports of Indian tea crossing 18 million kgs in the 1980s. However, with Egypt becoming a member of COMESA in 1998-99, the duty structure of 30% for Indian and other origin teas vis-à-vis free import of Kenyan and African teas, led to a substantial decline in the quantity of Indian teas exported to this market.

Import duty on tea in Egypt was reduced to 5% in 2004 and Indian tea started re-entering the market with 367,000 kgs being exported in 2005 as per Tea Board figures. Dubai office made persistent efforts by participating in fairs, organizing buyer-seller meets, renewing contacts with major importers, meeting Government authorities, arranging media publicity, in an attempt to reestablish the presence of Indian tea in this market. Indian tea exports to Egypt increased six fold, to an estimated 2.72 million kgs in 2006. In February 2007, import duty on tea was further reduced to 2%. An Indian tea packet called "Rawaa Tea" has also been launched by an Egyptian company in Egypt.

Public Sector imports account for a substantial share of the total tea imports into Egypt. Nearly 24,000 MT are imported annually by the Government of Egypt for public distribution purposes. The General Authority for Supply Commodity (GASC) is the body responsible for deciding the quantity of tea required by the Govt. and the same is procured through two public sector organizations viz. M/s El Nasr Export & Import Co. and M/s Misr Export & Import Co. These companies import about 2000 MT each month. Due to the COMESA arrangement, Govt. of Egypt had specified public sector buying of tea only from Kenya and other African countries. This restriction was lifted in March 2007 and Indian tea is also now permitted for Govt. procurement.

Iran

Iran is a major consumer of tea, consuming more than 100 million kgs annually. It is also a tea producing

country having about 34,000 hectares under tea plantation. While approximately 58 million kgs of tea was produced per annum, the production has been declining in recent years and is expected to come down to about 10-15 million kgs with some tea factories shutting down.

As per ITC statistics, in 2005, legal imports of tea into Iran stood at 43 million kgs. This however, does not include the substantial amounts of tea which are smuggled into the country. While import of packet teas less than 10 kg in weight is banned, an import duty of 30% is levied on bulk tea imports. A concessional duty of 4% is charged for imports of tea against purchase of domestic tea. Sri Lanka is the main supplier of tea to this market. India exported about 6.6 million kgs to Iran in 2005. Iran prefers orthodox tea, specially the Assam Second Flush teas, however, there is also a growing segment of CTC teas. Already Kenyan tea packets are becoming visible in the market and some importers feel that the Kenyan CTC is better than the Indian CTC in colour and strength and the fact that it is available throughout the year. They also feel that Kenyan tea retains its flavour even after two years while Indian tea loses it within months. Around 1.6 million kgs of Kenyan tea was imported by Iran during 2005.

Recent developments in the import policy with regard to tea have been of concern to the Indian tea industry. A new quality requirement, viz. the Plant Master File Requirement, which is basically GMP/HACCP, is to be imposed by Iran which requires each supplier of tea to register with the Health Authorities after filling in the designated form and paying a one time registration fee of US\$ 6000. This requirement was imposed by the Iranian Govt. from 23 Nov 2006 but has been kept in abeyance after we took up the matter with the Iranian Health Authorities through the Embassy of India, Tehran and the Iranian Association of Tea Traders & Distributors. An Iranian tea delegation is expected to visit India before a final view is taken on the implementation of the Plant Master File Requirement and GMP.



Tunisia

Republic of Tunisia is a small country sandwiched between Algeria and Libya with a total population of about 10 million people. Tea drinking along with coffee is a popular pastime. Tea is drunk without milk but with plenty of sugar and with a hint of mint. It is consumed both in green and black varieties. The Tunisians prefer strong tea with flavour which are medium grown. Sometimes they brew tea more than once from the same leaf. While the Tunisian population is small, this is supplemented by the tourist arrivals which were estimated at 6 million during 2005. Tunisia imports about 10-12 million kgs annually with 8 million being black tea and 2 million being green tea. Office du Commerce de La Tunisie (OCT) is the sole tea importing agency in the country. They import in bulk and have their own packaging plant where tea is packeted in their brand for local consumption. Some tea is also packeted by private companies for the local market. However, the tea used in these packets is imported by OCT for the local companies when there is a requirement. These are largely fannings for tea bags and amounts to a very small quantity of about 45 MT only.

OCT procures about 10 million kgs of tea annually of which 8 million kgs are black and 2 million kgs are green. The types of tea bought by OCT are OP, BOP, FBOP I and FBOP II. They float two tenders during a year for purchase of tea- once in November and once in April/May. These tenders are circulated to exporters registered with them. In order to register with OCT, the exporter has to send them all details of their company, including company profile, production/exports done for the last five years, credit worthiness from the bank and the certificate of registration with Tea Board of India. Once they receive all the documents, they conduct their own enquiry regarding the company. There is a Procurement Committee, comprising of members of different ministries including Finance Ministry, Central Bank etc., which meets to decide on

which exporters to register after considering the documents. The tea specifications for the tender are then sent to the registered exporters to sign. Presently only three-four Indian companies are registered with OCT. Most of the others registered with them, have since been blacklisted due to quality issues. OCT has indicated their willingness to register more Indian companies who approach them with necessary documents.

Morocco

Morocco, is an important tea consuming country in the region, being one of the main consumers of green tea, with little consumption of black tea. The country imported more than 49 million kgs of tea in 2005, of which more than 99% was green tea. India too has exported some small amounts of tea to Morocco in the past. Until 1993, the import of tea into Morocco was totally in the hands of the Government through Office Nationale de The et du Sucre (ONTS). ONTS was importing tea from China, Indonesia, Sri Lanka and India. Since liberalization in 1993, ONTS has ceased to import tea from India and Indonesia. At present the primary source of tea import is from China. 49 million kgs of tea was imported from China in 2005. Best grades of green tea are gunpowder followed by chumnee and then soumee variety of tea. Revival of Indian tea exports to Morocco has been taken up with the DG of SOMATHES (previously ONTS) through the Indian Embassy in Morocco. It is learnt that though China has a monopoly in tea export to Morocco, SOMATHES is keen to find alternative sources of supply. The Govt. is also in the process of privatizing SOMATHES, and M/s Tata Tea is one of the companies which have shown interest in taking over SOMATHES. As Morocco is a big tea consuming country and as India does produce some green tea, this seems to be a good time for Indian tea to enter the market with green and black teas.

Yemen

Yemen was a coffee exporting country for many years,



but due to qat (a narcotic substance) cultivation in rural areas, the export and the popularity of Yemeni coffee dwindled and drinking of tea has become very popular. Yemen is another big tea consuming country in this region, importing about 12 million kgs of tea annually. As per data obtained from Yemen, 14.6 million kgs of tea were imported in 2005 with Kenya accounting for 13.22 million kgs (Value USD 13,364,998). Imports from India and Sri Lanka were 691,000 kgs (Value USD 773,938) and 48,452 kgs (Value USD 66,373) respectively. A large quantity of tea is re-exported from UAE too. About 3,85,029 kgs of tea was imported from UAE in 2005. The tea consumed is mostly the dust grades. There is no restriction on import of tea into Yemen. The customs tariff on tea includes customs duty of 5%, sales tax 5%, consumption tax 3%, profit tax 1%:- total rate 14%. With about 20 million population growing at the rate of 3.7%, this market has potential.

Other countries

Consistent increase in exports of Indian tea in the last three years (2004-06) has been witnessed in countries like Egypt, Iraq, Israel, and Qatar, while exports to other countries have fluctuated. In countries like Sudan and Morocco there have been no exports of Indian tea in 2005 and 2006. While Morocco consumes green tea, Sudan is largely the result of the COMESA Arrangement which gives an advantage to Kenyan teas. Quality issues, seasonality of supply, cost considerations and increasing competition from Sri Lanka and Kenya are some of the factors which have affected exports of Indian tea to some of the other countries in this region. It has however, been noticed that in some countries preferring Orthodox teas like Iran, Syria, Saudi Arabia, there is a growing segment for CTC teas which India can target if we overcome the challenges of cost and quality.

Market Analysis

1: Major buyers of tea in the Middle East want a very

different product from what is demanded in Europe and the West. Teas demanded in different markets of the WANA region range from cheaper CTC dust grades and brokens to higher quality Assam Orthodox tea. Export trade has to cater to very different markets and requirements. The market however, remains very price sensitive and it is price, quality and appearance which determine demand rather than origin.

2 : Most of the important markets like Iran, Libya, Egypt, Iraq and Morocco are undergoing a process of economic liberalization and the role of their respective Government buying & distributing agencies are getting marginalized. Private importers and distributors are playing progressively bigger roles. Private trade in tea is now possible even in countries like Libya and Iraq which were totally dependent on Government buying. Even countries like Iran which otherwise do not allow import of packet teas into the country, allow the same in their Free Zone for re-export. Opportunities offered in Free Zones in Turkey, Iran, Kuwait, UAE etc. provide a possibility of joint ventures which Indian tea companies can explore.

3 : Retail loose tea sale in the WANA region is gradually coming down. Packet teas and Tea bags are becoming popular. CTC segments are emerging even in those countries like Iran and Syria, which traditionally preferred orthodox teas.

4. Green Tea is also becoming popular due to increasing health consciousness of the consumers. In UAE, Lipton launched its Green Tea pack with aggressive publicity and even the new brand Alokozay launched last year includes Green Tea in its range.

5 : Most of the countries in this region are becoming progressively brand conscious. In the supermarkets and the departmental stores and in the perception of consumers the competition is more among different tea brands rather than in terms of different countries of origin. However, in some countries like Syria, Saudi Arabia, Turkey, etc. origin still matters.



- 6 : Setting up of free trade zones like the Jebel Ali Free Zone has encouraged value addition and large tea companies are setting up operations in the Middle East. In UAE, tea bags that were once sourced entirely from the UK are now being produced in the Jebel Ali Free Zone (JAFZA). UAE has in fact even started exporting it in the region and has become one of the big producers of teabags in the world. Platforms like the Dubai Tea Trading Centre (DTTC) which is upgrading its facilities to include centralized tea storage, blending and packing facility, facilitates multi-origin teas being available in one place and are also encouraging packeting operations to be centralized in Dubai.
- 7 : Private entrepreneurs in countries like Egypt, Saudi Arabia, Jordan, Oman & Syria are also setting up their own blending and packaging facilities to produce their own brands of tea. Even in Iran, Lipton has set up a packaging factory while brands like Alokzay too are reported to be setting up packaging facility in the country. Such developments encourage blending of teas of different origins. It also affects consumer tastes as the range of products increases and value added products like tea bags, flavoured teas etc. gain acceptance.

USA and Canada

The jurisdiction of the Board's erstwhile New York Office covered USA, Canada and South America. With the closure of Board's New York Office in July, 2004, promotional activities have been handled from Head Office.

TEA CONSUMPTION PATTERN

The tea consumption pattern in the USA is mostly in the form of ice tea. However, in the recent years, there has been some changes towards the consumption of hot tea also. Trend of overall consumption of tea in USA has also improved because of the health benefits, associated with tea. Tea consumption in Canada has remained more –

or-less static. India's share of the tea market in the USA is small but is increasing gradually. However there was a slight decline in export in the year 2006-07 as compared to the previous year. Assam and Darjeeling teas as speciality teas are becoming popular in this market where flavoured teas play a vital role. Export of teas from South India is also registering a gradual increase. Canada is a hot tea market. About 60% of the population in Canada consumes hot tea unlike USA. The volume of Indian tea export to Canada was low. However, the silver lining is that even though the volume of export was low, the unit value realization was high thereby indicating that speciality teas are becoming popular and is poised for growth.

US Tea Council & Association

India being a founding member of this Council took part in all the deliberations of different meets.

Tea Council of Canada

India has played an active role in the Council's meetings in promoting tea as a health beverage.

Australia

Tea promotion in Australia is handled from Head Office. Though Australia is primarily a coffee drinking nation, the British habit of tea drinking also prevails. Australia's total import of tea from all sources is 14-15 m. kgs. A small quantity of around 1550 m. tons is produced in the country. The country re-exports approx. 0.9 m. kgs tea. This market, is now being viewed more positively as the new destination that has great potentials for penetration and expansion. Tea Board's

promotional efforts over the last five years are now showing good results. Exports from India to Australia have registered an increase of more than 200% from 1.41 m. kgs. in 2002-03 to 4.74 m. kgs. in 2005-06. However there was a slight decline in export during 2006-07. The growth has been in volume, value and unit price realization. Indian tea exports has been in the form of Instant Tea, Tea Bags & Packet teas.



Participation in Fine Food Exhibition in Australia has become one of the regular features of Tea Board's activities in Australia.

Japan

Japan produces 85-90 m. kgs. of green tea per annum which is consumed mainly within the country. Japan also imports black tea. Japan is a market for quality Darjeeling teas. Apart from the high quality leaf grade teas, the market has gradually cultivated the use of Assam CTC teas, used either in Tea Bags or for the production of canned milk teas, a favourite of the younger generation.

The promotional work for 'India tea' in Japan is carried out mainly through the Embassy of India in Tokyo with the assistance of Japan Tea Association.

Tea Board with the active assistance of the Indian Embassy participated

in 'Foodex', Japan, 2007 from 13 – 16 March 2007.

The duty structure for tea imports to Japan are as under :-

| Types of tea | Developing countries | Less Developing countries | Others |
|----------------------|----------------------|---------------------------|--------|
| Black tea in bulk | 2.5% | Nil | 3.0% |
| Black tea in packets | 12.0% | Nil | 12.0% |
| Instant tea | 8.0% | Nil | 10.0% |
| Green tea | 17.0% | 17.0% | 17.0% |