

A close-up photograph of a tea plant with vibrant green, serrated leaves. The leaves are arranged in a central vertical stem with several branches. The background is a soft, out-of-focus green, creating a natural and fresh atmosphere.

INSIGHTS FROM THE **TEA BARONS**

COMPILED BY SHRIPRIYA DALMIA

The Tea Barons

interview by Shripriya Dalmia

I interviewed 6 'barons' of the Tea Industry, to learn about their journey in this industry, their visions, how they perceive the future of the tea industry and the changes they have observed in the past decade.

In the following pages, are their insights, in their own words.

Below is the questionnaire I provided.

- *How long have you been a part of the tea industry?*
- *How have you observed the tea industry evolve in the last decade?*
- *What are your thoughts of promoting tea to generation X and Y?*
- *How has your journey been in this industry?*
- *What is the biggest change/trend you have witnessed during your tenure?*
- *What inspired you to join the tea industry?*

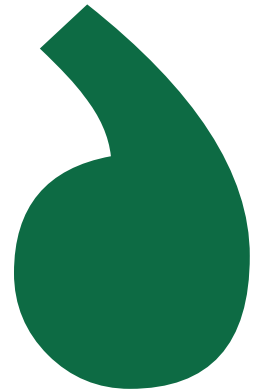




Adarsh Kanoria



Bengal Tea & Fabrics Ltd.



How long have you been a part of the tea industry?

Personally involved since the last 20 years, though family involved since 75 years in tea.

How have you observed the tea industry evolve in the last decade?

There has been a structural change where small growers and bought leaf factories have mushroomed thereby creating a dual cost structure. They do not have social obligations and other costs which the organised sector has. Also the increased production has created a demand supply imbalance, where tea prices have remained almost stagnant in the last decade with costs going up, thereby creating pressure on margins.



What are your thoughts of promoting tea to generation X and Y?

Online marketing, speciality teas and tea cafes with tasting of teas and freshly brewed.

How has your journey been in this industry?

It's been a good journey, luckily our yields and quality both being good, we have not been under pressure.

What is the biggest change/trend you have witnessed during your tenure?

Political pressures on labour cost increase.

What inspired you to join the tea industry?

My love for nature and for drinking tea.





Akhil Ruia



James Warren Tea



How long have you been a part of the tea industry?

I moved to Calcutta from London in July 2011.

How have you observed the tea industry involve in the last decade?

The tea industry has gradually declined from years of good profit in 2012 to its current state of poor profitability in 2019. It has evolved to a situation where daily labour costs are much more important than they used to be. Therefore, companies must control the utilisation of mandays far more efficiently, if they are to succeed.

What are your thoughts of promoting tea to generation X and Y?

I think tea will be a popular beverage for the foreseeable future. However, we, specifically most tea brands and retailers, have lowered quality to increase price competitiveness. This drop in quality is turning away gen x and y. Black tea constitutes over 95% of our production and has endured over 100 years of consumer testing. Therefore, whilst embracing fads and gimmicks such as green, white and purple tea, we must continue to promote black tea first.



How has your journey been in this industry?

A mix of frustrating and rewarding. It is frustrating to deal with Industry bodies, Government and Unions. Yet rewarding to work with my colleagues at James Warren Tea. We are innovating and improving the company, and with that I get to learn new things everyday

What is the biggest change/trend you have witnessed during your tenure?

The increasing daily wage costs, which are out of step with price inflation of tea. Daily wage costs have doubled over the past 5 years, yet tea prices are flat due to oversupply from the unorganised sector. Tea producers, as a collective body, are unable to identify and solve common challenges. We instead allow relatively immaterial personal interests to stand in the way of progress. There is a lack of competent leadership at the top of industry bodies.

What inspired you to join the tea industry?

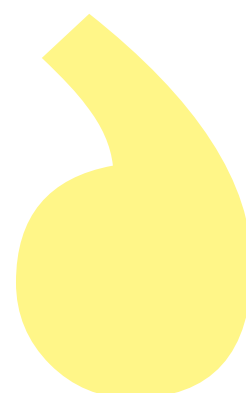
Necessity. My family has been in tea since my grand father bought Warren Tea in 1985. Warren Tea was mismanaged by local partners for a number of years, and continues to be so. Fortunately I was able to demerge James Warren Tea from its parent company in 2013. Thankfully the company and estates have improved considerably over the past 6 years.



Hemant Bangur



Joonktollee Tea & Industries



How long have you been a part of the tea industry?

Our family has been in the Industry from 1954 when we acquired the Managing Agency of Kettlewell Bullen & Co Ltd from the Scots. I personally been looking after our Plantations since 1997 i.e. 22 years.

How have you observed the tea industry involve in the last decade?

The Tea has evolved greatly during the last two decades especially in the last decade. The last decade has seen the rise of the Small Growers STG, who now produce almost 50% of the total tea crop. Simultaneously, we have also seen the quality of tea drop significantly as the marketing Companies are catering to the demands of price conscious Indian consumers. In the process they are increasing their sourcing of the tea requirement from the BLFs, who generally produce barely complaint teas. As a consequence of this, the consumption of tea has stagnated as the tea generally available is barely drinkable.

What are your thoughts of promoting tea to generation X and Y?

The world has moved from consumption of goods as an end in itself. Generation X and Y are generally not obsessed with the purchase of goods as an end in itself. They are more into going through the experience. They are an aspirational lot, who treat the goods as a means to an end which is satisfaction of a DESIRE. Hence to promote teas to this generation, one needs to make tea an Aspirational drink.

How has your journey been in this industry?

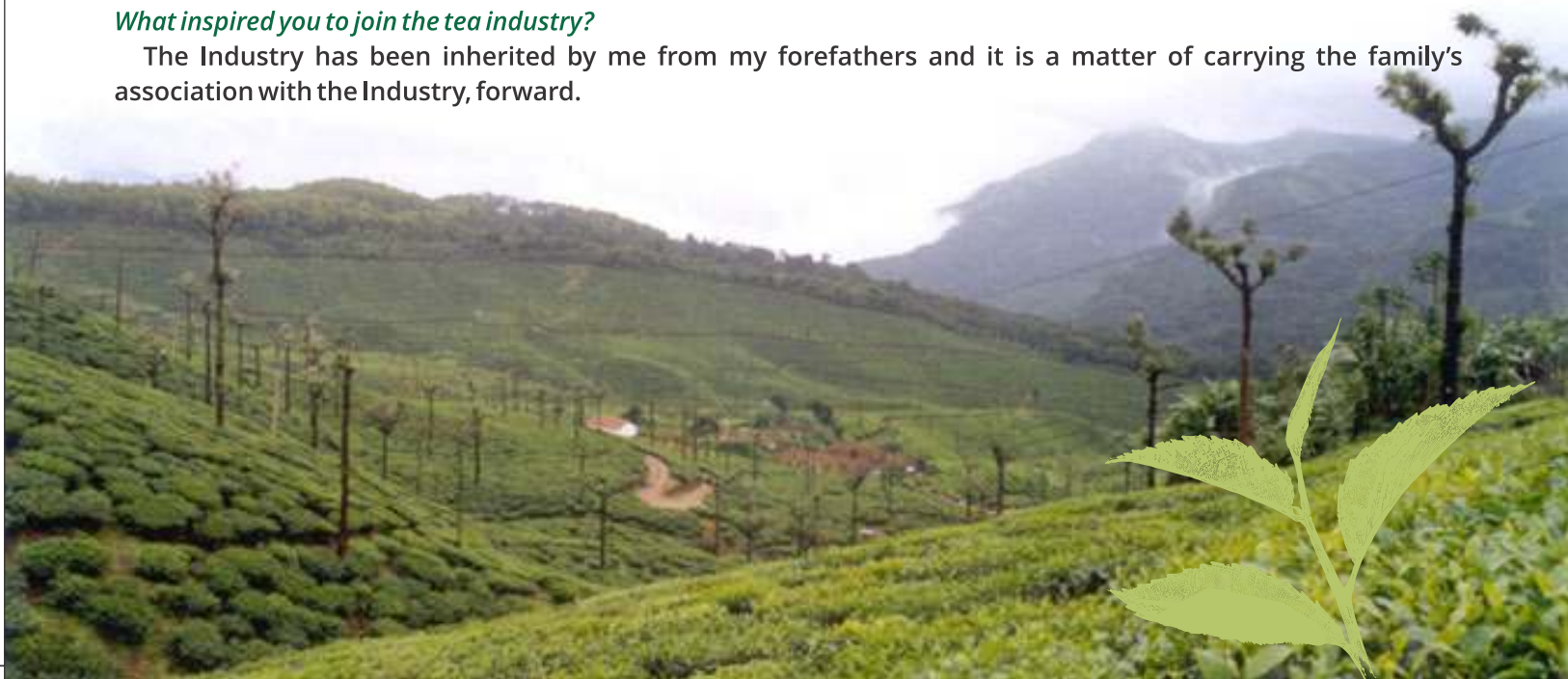
The journey in this Industry had its ups and downs. In the overall context of how the Indian Economy has progressed, I would say that the journey has been more downhill. The rate of growth in this Industry has been significantly lower than the overall growth of the Economy.

What is the biggest change/trend you have witnessed during your tenure?

The biggest change of the trend that I had witnessed has been the emergence of the BLF sector and a significant quality downgrade of tea quality.

What inspired you to join the tea industry?

The Industry has been inherited by me from my forefathers and it is a matter of carrying the family's association with the Industry, forward.





Mudit Kumar



SPBP Tea Plantation Ltd.



How long have you been a part of the tea industry?

I was born into a “Chaiwalla” family – a family that has been involved with the tea industry for over a 100 years. Hence, the appropriate answer is – since I was born. I have been hearing about the nuances of the tea industry since I could catch some of the concepts frequently flying around the dining table and sitting rooms of our home as family elders discussed tea, the weather, tea crop and prices. My family was not one that separated work and home...

I actively got involved with the family business while I was in College in 1987, and after that got involved with running a tea garden in 1993. I took a “sabbatical” from tea between 1998 and 2010, when I was involved in another business; and then returned, much akin to a prodigal son, to the calling of the family business. I have been actively involved with the tea business since then.

I was elated to be back. I love the plantation aspect of this business, and love going into the details of the basics of being a farmer – the soil, the plant and the plantation practices, the sustainability aspects, etc.

I truly got involved with the tea ‘industry’ matters in 2012, when I was taken into the committee of the Tea Association of India.



How have you observed the tea industry involve in the last decade?

In many ways, the industry has not changed as much as other industries have changed, in terms of how we do things. We still do the same things, in pretty much the same ways, and to achieve virtually the same results. That is one of the reasons why we have not stayed as relevant as we were, as an industry, since our earlier years as an industry in India.

Having said that, the production sector of the industry has gone through a drastic change in the last decade. We have increased production in India, and especially North India, by leaps and bounds through the Small Grower sector, and this has brought about a huge increase in supply, primarily of CTC teas, and the Bought Leaf Factory sector. While this has happened, the consumption, and hence demand of tea in India (as well as for exports from India and global demand) has not kept pace, and tea farm-gate prices have stayed stagnant. Some producers (especially the organised/ registered grower sector) have tried to improve their revenues and selling prices by trying to improve quality; but the quantity of this higher quality production is limited, and hence a large part of the increase in supply of teas has been of 'low' quality.

Hence the CTC tea market has evolved into slightly separate segments: the premium (upper), the middle, and the lower segments. Each of these have their own market dynamics, and middle segment (which comprises the majority quantity) has not been able to get prices commensurate to its costs of production.

In this period, the cost of production for organised / registered growers has also increased at a much faster rate (in an economy which is 'developing' where wage and social costs have risen rapidly) than has the price of tea. This has hit the organised sector, which is about 50% of the production. The Small Grower (SG) sector and the Bought Leaf Factory (BLF) sector (the remaining 50%) functions pretty much like a trading segment, where prices of their product adjusts to the cost of inputs (wages for the SG, and price of green leaf for the BLF). Hence the SG and the BLF segments have survived, to some extent, at the cost of the Estate/ Organised/ Registered sector.

The Organised industry has tried to look for other ways to survive. They have tried to:

1. Purchase green leaf and expand their production (in essence, put up Bought Leaf Factories) to join in the trading game, and defray some of their plantation overheads;
2. Try to improve productivity of labour and land, to restrict the impact of increasing costs – plucking productivity through mechanical plucking has been one of the significant efforts made;
3. Try to improve their quality and their marketing efforts by trying to get more of a piece of the supply chain;
4. Some producers have looked at enhancing their product range by increasing production of Orthodox or Green Tea, or by manufacturing small quantities of niche products.

In the earlier years, the industry used to go through cycles of:

a) Supply > Demand: production being greater than consumption (leading to lower prices, lower margins, lower inputs into development, leading to lower supply); and

b) Supply < Demand: consumption being greater than production (leading to higher prices, higher profits, higher inputs into plantations, leading to increased production).

The organised industry used to survive these cycles, as these were fairly short in their length (say about 2 to 4 years each). In the last 10 years, these cycles were discontinued due to the huge and disproportionate increase in supply from the SG sector, and the huge demand-supply mismatch due to this. It seems that the organised industry is in 'wait and hope' mode – wait for demand to grow, and hope that the supply does not grow in the meantime in the same way, so that the demand-supply mismatch is corrected, leading to higher prices, and an economically sustainable business for the organised tea industry once again!

Another aspect that has evolved in this decade is the awareness of making all operations more environmentally and ethically sustainable. From the safety aspects of the various inputs that are consumed (chemicals etc), the welfare aspects of the workers, to the pollutive nature of producing and consuming tea – these have become important because the consumer of tea is conscious of these aspects. Hence, there has been greater pressure on every segment of the supply-chain on these aspects. However, it seems that the larger part of the pie is retained further downstream by the retailers, rather than those earlier in the chain (farms, wholesalers, dealers).



What are your thoughts of promoting tea to generation X and Y?

I am not very confident of my marketing skills, hence may not be the correct person to take this question. However, I will hazard to present some of my thoughts.

1. Over the years, we marketed tea to be a 'cheap' drink – and the image of tea is not considered to be 'cool' or 'hip' or 'with the times'. In order to appeal to the GenX and GenY, we would need to change the image of tea. This can be done by bringing on marketing experts who understand what the GenX and GenY consider to be determining factors and what would make them consume tea – not just the product, but also the experience of drinking tea – combined with making tea-drinking an experience which is to be shared with the community.

2. The GenX and GenY are very conscious of the health aspects of what they consume. Hence, more research on the health benefits of tea, and the education of the young and old alike, of these health benefits would help in increasing consumption of tea.

3. Since the GenX and GenY have shown great maturity and have been conscious of the environment and ethical aspects of what they are consuming, the tea industry has to self-regulate itself into producing ethically and sustainably. This will also help appeal to the moral fiber of the GenX and GenY, and will help keep tea as a sustainable product in the coming years.

4. Start young: To promote young adopters of tea, we need to educate the moms and society at large of the benefits of drinking tea, including the health benefits. Tea drinking as a habit needs to be started when people are young. Tea drinking can start in schools, and at homes. Mothers need not refrain from giving their children teas. Tea can be added to the mid-day meal in schools.

5. Making tea easy to consume (without the hassels of disposing tea bags etc), through good brewing and dispensing machines for tea (much alike coffee machines), which give a good product, easily prepared, could push the consumption of tea both in-home and out-of-home. More research and innovation needs to happen in these areas.

6. Innovative products like Iced Teas, need to be developed that are tasty, hip, and easy to procure and consume, will push the GenX and GenY to look at tea in a positive way. These need to be developed and promoted.

How has your journey been in this industry?

As they say – “I am loving it!”

While the business is tough, I feel that I belong to this industry, and to the process of growing and making tea. We have been in this business for generations as a family, and when I 'left' this industry and 'came back', I was elated to be back. I love the plantation aspect of this business, and the understanding that we 'reap what we sow'... this industry re-enforces this concept to me every day, and I cherish every moment in it.

What is the biggest change/trend you have witnessed during your tenure?

[Please refer to my response in Q2]

What inspired you to join the tea industry?

[Please refer to my response in Q1]





Vijay Dalmia

 MLD Dalmia Tea Plantation & Industries



How long have you been a part of the tea industry?

I am the 4th generation in my family to enter the tea industry. Our business has been running since 1919 but I personally entered the business in 2003 after completing my masters in Business Administration.

How have you observed the tea industry involve in the last decade?

The Indian tea industry has now been fragmented into two large parts where one is where you own the plantation and the manufacturing capabilities And the second where you are buying outgrown leaf or bought leaf and are separately manufacturing them these are called bought leaf factories. This difference has been more pronounced over the last decade. The prices of the agency houses and the establishments where you own both the manufacturing units as well as the tea estate have seen a considerable rise where as the prices of the bought leaf tea has not really risen. Having said this the cost structure of the old tea plantations have increased considerably and the increase in selling price has not really offset this increase in cost. Over the last decade there is a big separation in terms of the value of tea between the different qualities and it is becoming a challenge for the old tea industry to survive.

How has your journey been in this industry?

My journey has been very interesting to say the least. When I entered the industry in 2003 India was producing a little over 700 million kgs and now its 1300 million kgs and the entire addition of this 600 million is through this new concept of bought leaf factories so the journey has been of one where we have been forced to adapt and evolve with the changing time, cost structure and the change in the way tea manufactured sold and consumed

What is the biggest change/trend you have witnessed during your tenure?

Answer 2

What inspired you to join the tea industry?

It wasn't so much of a choice as I was the 4th generation in my family and it was a given that I had to join the business. The bought leaf factory revolution attracted me to join the industry in 2003 as I was very excited to learn and adapt the same.

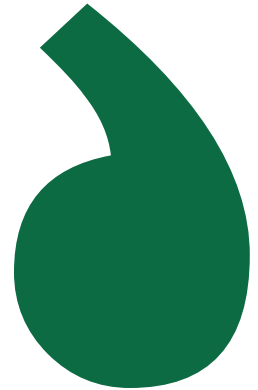




Vivek Goenka



Warren Tea



How long have you been a part of the tea industry?

15 Years

How have you observed the tea industry involve in the last decade?

The industry has evolved in several ways in the past 15 years both at the front-end and back-end. Some of the major changes in the industry include the following –

- Growing emergence of the Small Tea Grower and Bought Leaf Sector which provide nearly 50% of India's tea production today. In the 90's their contribution towards the total crop was negligible.
- Move from the Manual Auction to Pan India Electronic Auctions.
- Advent of Climate Change and its impact on crop and quality. Apart from changes in weather which have contributed largely towards changing crop patterns, the emergence of new pests and diseases is also something with which the industry has had to contend.
- Mechanical harvesting of leaf due to shortage in labour.
- Mechanization in factories.
- A focus on Value-Added teas such as Orthodox, Green, Organic, Oolong among others.
- In the retail space there a movement from 'chai' towards other alternatives such as Greens, Herbal, and a mix of various flavours with tea.

This said, the evolution has been slow and a lot more is required in the next decade.



What are your thoughts of promoting tea to generation X and Y?

While the Demand for tea in the Younger generation is still large wherein a large number of Youth continue to drink tea, the competition against other beverages have grown significantly. Further, while Coffee is perceived to be 'cool', the perception of tea is not so.

There are a number of ways in which Tea should be promoted to Youth:

- a. The many varieties of Tea such as Greens, Oolong, Flavoured, Iced etc – each of which is unique and has its own characteristic
- b. Single origin high quality hand plucked tea – which is of the highest standard
- c. Tea for all seasons, moods and occasions
- d. Tea as the healthiest beverage after water

How has your journey been in this industry?

Challenging though extremely enriching.

What is the biggest change/trend you have witnessed during your tenure?

There are several trends which have come in the past 15 years. Some include:

- a. The emergence of the Small Tea Grower and Bought Leaf Factory which today contribute 50% of Total Tea Production in India
- b. Movement from Loose Tea to Packaged/Branded Teas
- c. Emergence of other varieties of Tea including Greens, Orthodox, Oolong, Flavoured and the like

What inspired you to join the tea industry?

Warren Tea is a family company which was acquired in 1983. I have always had a keenness to join the industry.



