# A Rupee Earned, Two Rupees Spent

## *The Slow Collapse of North India's Tea Industry*

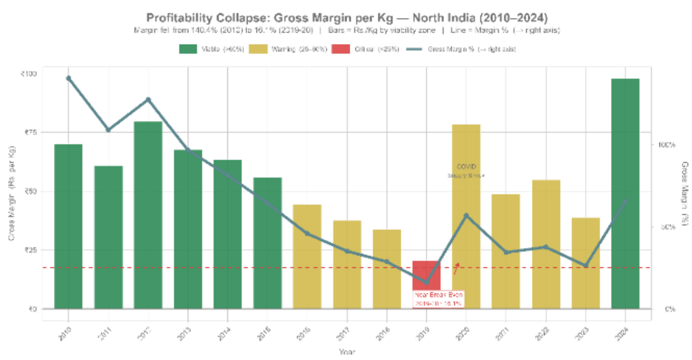
**Rishab Biswas & Sanjiv Kumar**
ICAR-National Academy of Agricultural Research Management (NAARM), Hyderabad, Telangana, India.
*Corresponding Email: rishabbiswas.pgdm24@naarm.org.in

*Between 2010 and 2024, the cost of making one kilogram of North Indian tea tripled. The price it fetched at auction rose by 55%. This article is about what happens in that gap.*

India produced 1,365 million kilograms of tea in 2022, second only to China. North India alone contributed 83.6% of that output. Yet in the same period, 26 of the 29 bulk tea companies rated by ICRA received more downgrades than upgrades. Workers in the Jalpaiguri belt reported zero savings and rising debt. Export market share hit a five-year low. The numbers all point in one direction: a structural crisis that the industry has been slow to name.

### The Cost the Market Will Not Pay

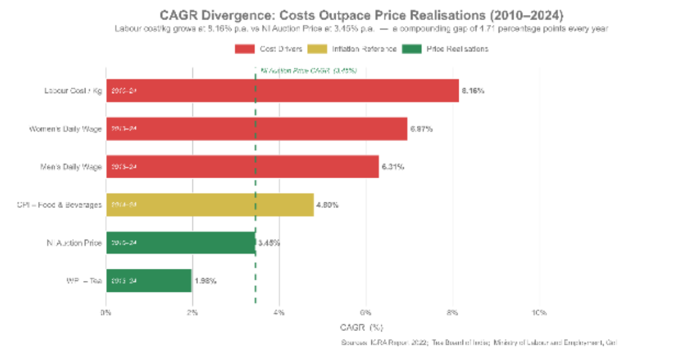
In 2010, producing one kilogram of made tea in North India cost ₹50. The auction price was ₹120.18, a gross margin of 140%. By 2019-20, production cost had climbed to ₹128. The auction price: ₹148.55. Margin: 16.1%, too thin to cover overheads, service debt, or reinvest in aging gardens.




| Year | Prod. Cost (₹/kg) | Auction Price (₹/kg) | Gross Margin |
|---|---|---|---|
| 2010 | 50.0 | 120.18 | 140.4% |
| 2013-14 | 70.0 | 137.61 | 96.6% |
| 2016-17 | 97.0 | 141.37 | 45.7% |
| 2019-20 | 128.0 | 148.55 | ⚠ 16.1% |
| 2020-21 | 138.0 | 216.36 | 56.8%* |
| 2021-22 | 142.0 | 190.81 | 34.4% |
| 2023-24 | 150.0 | 186.82 | 24.5% |

**COVID supply shock - production fell 12%; prices spiked. Not a recovery. Source: ICRA Report 2022; Tea Board of India*

The margin did not fall in a single bad year. It eroded continuously over fourteen years - from 140% to 96% to 45% to 16%. The 2020-21 spike was not a recovery: production fell 12% due to COVID lockdowns and adverse weather, briefly driving higher prices. When supply normalized, the margin contracted again. By 2023-24, it stood at 24.5% - structurally inadequate, one bad harvest away from losses.



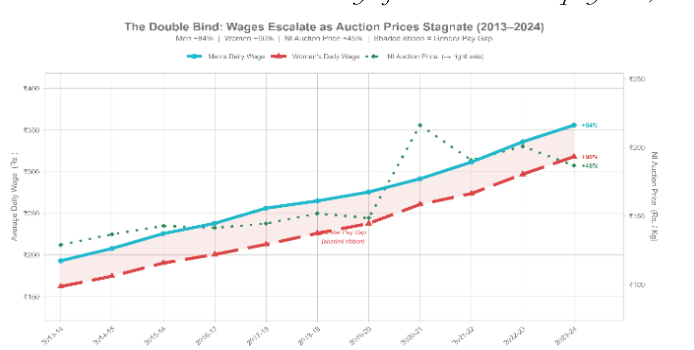

Labour cost per kilogram grew at 8.16% per year - more than double the 3.45% growth in auction prices. Even general food inflation at 4.8% outpaced what the market was willing to pay for North Indian tea. The gap is not a cycle. It is a permanent structural divergence that compounds every year.

### The Labour Trap

Labour accounts for 60% of the total cost of manufacturing tea in North India. Around 10 lakh workers are employed across 3.6 lakh hectares in Assam and West Bengal. Their wages are set through fixed three-year revision cycles - independent of what tea fetches at auction. When prices fall, wages do not. The asymmetry is institutional, not accidental.

| Year | Men (₹/day) | Women (₹/day) | Gender Gap (₹/day) |
|---|---|---|---|
| 2013-14 | 193.1 | 162.2 | 30.9 |
| 2015-16 | 225.8 | 190.4 | 35.4 |
| 2017-18 | 256.3 | 212.8 | 43.5 |
| 2019-20 | 275.7 | 237.9 | 37.8 |
| 2021-22 | 311.6 | 273.8 | 37.8 |
| 2023-24 | 356.0 | 318.1 | 37.9 |
| CAGR | 6.31% | 6.97% | - |

*Source: Ministry of Labour and Employment, GoI*



Men's wages rose 84% over ten years; women's by 96%. Neither rate is unreasonable - workers in any industry deserve to raise real wages. The problem is what sits below them: auction prices grew only 55% over the same period. Beyond the base wage, plantation companies are legally mandated to provide housing, rations, medical care, and education. The effective per-worker cost is nearly double the nominal daily wage, which is why production cost tripled from ₹50 to ₹150 per kilogram between 2010 and 2024.

One observation demands separate attention: the gender pay gap has not closed. It has stayed fixed at ₹37-44 per day for a decade. Women form the majority of the plucking workforce. A decade of wage growth left the gap almost exactly where it started.

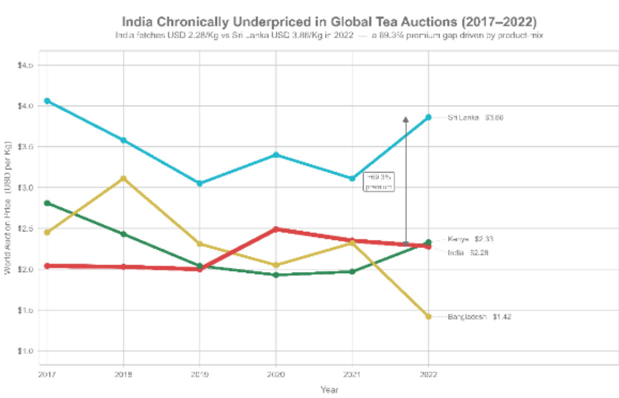
*"Workers in the Jalpaiguri belt reported zero savings and rising debt. 68% have migrated out - 12% internationally. A plantation economy built on resident labor is losing that labor not to another employer, but to economic desperation."*

### The Price India Cannot Command

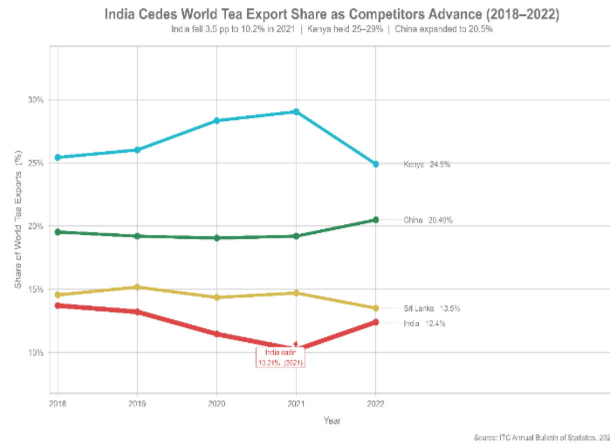
India's world auction price in 2022 was USD 2.28 per kilogram. Sri Lanka, growing tea under broadly similar tropical conditions, received USD 3.86 - a 69.3% premium over India. That gap is not geography. It is a product mix.

| Country | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Sri Lanka | 4.06 | 3.58 | 3.05 | 3.40 | 3.11 | 3.86 |
| Kenya | 2.81 | 2.43 | 2.04 | 1.93 | 1.97 | 2.33 |
| Bangladesh | 2.45 | 3.11 | 2.31 | 2.05 | 2.32 | 1.42 |
| India | 2.04 | 2.03 | 2.00 | 2.49 | 2.35 | 2.28 |

*Source: ITC Annual Bulletin of Statistics, 2022 (USD/kg)*




India's price column is the most stable in the table. That is not a compliment. The market has consistently priced Indian tea in a narrow USD 2.00-2.50/Kg band, regardless of what is happening globally. North India produces 90.96% of its output as CTC - commodity-grade tea that competes on price and volume alone, with no mechanism for premium positioning. Sri Lanka's larger Orthodox and specialty share allows it to command a completely different price point. Orthodox teas command ₹40-60 more per kilogram than CTC at domestic auctions. North India currently produces just 7.89% Orthodox. The choice to stay at CTC is the choice to stay at the bottom of the global price table.




Between 2018 and 2021, India's global export market share fell from 13.71% to 10.21% - a five-year low. The partial 2022 recovery did not restore the lost ground. Meanwhile, domestic consumption rose from 973 million kilograms in 2016-17 to 1,168 million kilograms in 2021-22, absorbing surplus production and quietly compressing the exportable volume year after year. A country that consumes more of its own tea has less leverage in global price negotiations, not more.

### The Human and Financial Toll

The financial system has registered what industry voices have been slow to acknowledge. Between FY2013 and FY2020, ICRA recorded 26 credit downgrades against 7 upgrades among 29 bulk tea producers - a 3.7:1 ratio reflecting sector-wide stress, not isolated company failures. The proportion of companies in the lowest investment-grade tier rose from 10% in March 2012 to 50% by March 2021. Companies rated AA fell from four to one.

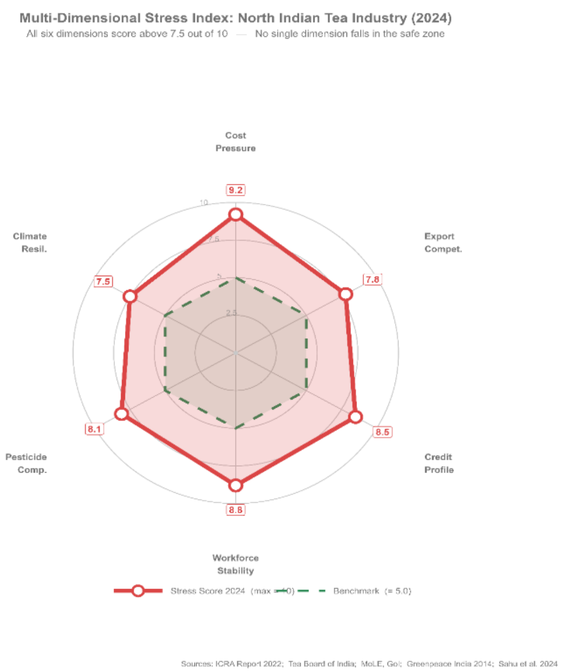
The workforce signal is equally stark. In the Jalpaiguri belt, 80% of workers earn below ₹6,000 per month. 90% report zero household savings. 55% are in debt. And 68% have migrated out of the state - 12% internationally, to Nepal, Bhutan, and the Gulf. A plantation economy built on resident labour is losing that labour not to another employer, but to economic desperation.

Three forces compound the core trap. Climate volatility caused a 36% decline in production in 2023 alone, with rainfall variability explaining 68% of annual yield anomalies. Pesticide non-compliance blocks premium export markets that could improve price realizations: 94% of branded samples contain residues, and 59% exceed EU Maximum Residue Limits. India sets MRLs for 7 pesticides in tea; the EU enforces 528. And ageing plantations, some yielding as little as 77 kilograms per hectare against a productive benchmark of 4,562 kg/ha, trap estates in low-yield cycles that cash-strapped companies cannot invest their way out of.

## What Must Change

The industry's problems are structural and simultaneous. The solutions must be too.

Wage revision cycles should include an auction-price performance modifier - a ±2-3% adjustment linked to prevailing auction realizations - so that the cost-price gap cannot compound indefinitely while still protecting worker incomes. The current three-year fixed cycle is designed for a world where prices grow predictably. That world does not exist in North Indian tea.




The Tea Board should set a binding target to raise North India's Orthodox share from 7.89% to 15% of output by 2030, backed by conversion subsidies. Choosing to remain 90% CTC is choosing to remain at USD 2.28/Kg when Sri Lanka fetches USD 3.86. Government-backed replanting financing - with a five-year repayment moratorium - would restore yields from 77 kg/ha toward 4,562 kg/ha without worsening the leverage of already-stressed estates. A five-year roadmap to harmonize India's pesticide MRLs with EU standards would unlock premium access to the European market. And a statutory floor price at auction, analogous to MSP for paddy and wheat, would prevent auction realizations from falling below production costs during periods of global surplus, as nearly happened in 2019-20. These have been discussed in Tea Board consultations for years. What is new is the urgency.

## The Clock is Running

The arithmetic has been telling this story for fourteen years. Costs compound to 8.16% per year. Prices are growing at 3.45%. Workers are leaving. Ratings are falling. Gardens ageing.

The industry holds real advantages - global brand recognition, unmatched terroir in Darjeeling and Assam, and a domestic consumer base of 1.2 billion. But advantages are not destiny.

The question is no longer whether North India's tea industry is in trouble. It is whether anyone in a position to act will read the numbers before the last gardens close.

*Sources: ICRA Report 2022 (Bulk Tea Industry) | Tea Board of India | Ministry of Labour and Employment, GoI | ITC Annual Bulletin of Statistics 2022 | ITC Monthly Summary January 2023 | Greenpeace India 2014 | Sahu et al. 2024*

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