



Tea Industry of Bangladesh: An Overview of Production and Export Opportunity



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Abstract

Tea is one of the widely consumed beverages, and tea consumption in Bangladesh is increasing everyday. According to the report of Bangladesh Tea Board, Bangladesh is the 9th largest tea producer in the world (Bangladesh Tea Board, 2022). Recent statistics show that tea consumption and production are rising. In FY2011, tea production and consumption were 68 thousand tons and 58 thousand tons, respectively. In FY2022, tea production and consumption increased to 90 thousand tons. According to our forecast of tea production and consumption, tea consumption will exceed production in FY2023. However, tea export quantity has been falling over the years. In FY2011, the tea export quantity was 1.16 thousand tons, and in FY2022 tea export quantity decreased to 0.64 thousand tons. Furthermore, the tea export forecast shows a downward trend due to increasing domestic consumption. Despite the possibility of production slashing, many opportunities can be explored by utilizing existing production, including focusing on a new variant of tea, and increasing production of premium tea will expedite the growth of the tea industry of Bangladesh.

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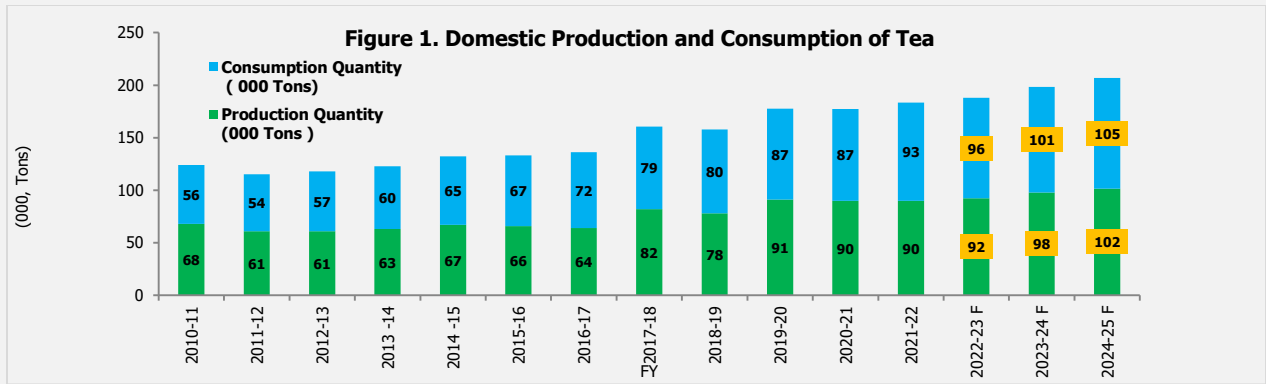
Introduction

Tea plantations in Bangladesh were initiated during the British colonial period, and the colonial administration explored many geographical advantages. Besides cultivating tea, infrastructure was developed to ease tea transportation and processing. Moreover, the land was given for tea plantation on the banks of the Karnaphuli River near Chittagong during British Colonialism in 1828 (ASM Anam Ullah & Mamta Chowdhury, 2022). Currently, the total number of tea gardens in Bangladesh is 167, with a production capacity of 63,833 thousand kg per year and a total cultivation area of 1,36,000 acres (Bangladesh Tea Board, 2022). Statistics show that the production and consumption of tea have been experiencing an upward trend since the FY2011 (Bangladesh Tea Board, 2022). In FY2011, the tea production quantity was 68 thousand tons, and consumption was 56 thousand tons. According to our forecast, tea consumption will exceed the total production quantity in the upcoming financial years. The total export quantity of tea was 1.16 thousand tons in the FY2011, but the trend of tea export is volatile. Tea export projections show that tea export will fall in the upcoming years. Currently, the tea industry's contribution to GDP is 1% (Sajjad Hossan, 2022). By focusing on new tea variants, Bangladesh can earn more foreign currency from exports. Expanding the tea production area to flat land might increase tea production growth and create more employment in this sector.

Tea Production and Consumption

Having a favorable land area for Tea production, Bangladesh is the 9th largest tea producer in the world (ASM Anam Ullah & Mamta Chowdhury, 2022). According to the Bangladesh Bank, in FY2022 total tea production area is 1,36,000 acres (Bangladesh Bank, 2022) where tea production is concentrated in the Shylet division where 91 tea estates are situated in the Moulvibazar district, and the Shylet and Hobigonj district has 19 and 25 tea estates respectively (Bangladesh Tea Board, 2022). Recently, tea has emerged as the most popular beverage drink in Bangladesh. Figure 01 depicts domestic consumption and production of tea over the years from 2010-2011 to 2021-22 and also forecasted three financial years based on the previous year's consumption and production.

According to the Bangladesh Tea Board, tea production and consumption have been following an upward trend where production is rising in line with consumption. In the recent financial year, the production growth of tea has been outstanding due to the favorable environment in the major tea production area. Emphasizing subsidies, proper distribution of required fertilizer, and favorable weather has contributed to surging tea production. Tea production and consumption statistics show that the tea production quantity in 2010-2011 was 61 thousand tons, and in recent times production amount has increased to 90 thousand tons. Moreover, tea consumption in 2010-2011 was 56 thousand tons, and in the recent financial year, tea consumption quantity increased to 93 thousand tons in 2021-2022. Considering the forecast for the year 2022-2023 to 2024-2025 has shown a positive trend in production and consumption. However, forecasted data shows that consumption will surpass production in the upcoming years.

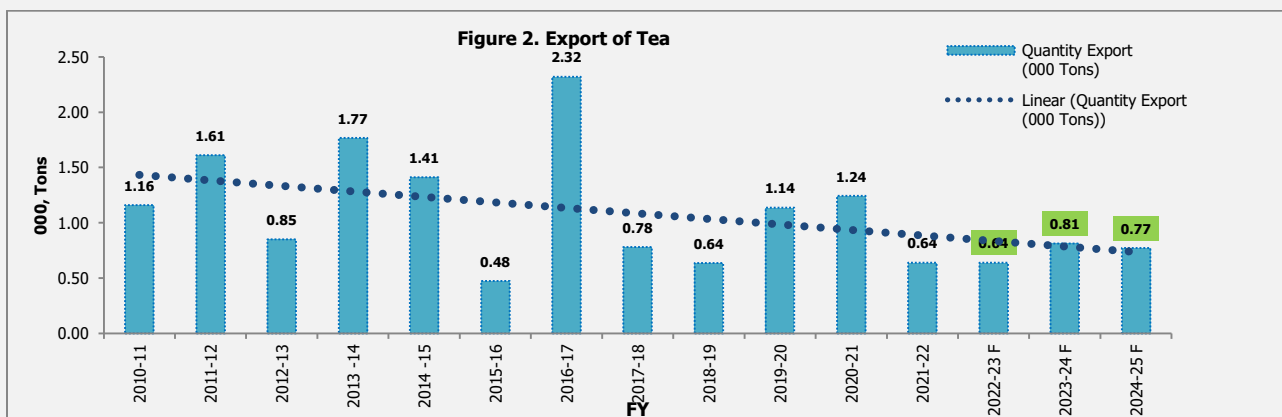


*Source: Bangladesh Tea Board (2022)
 Note: Projections by ECRL

Tea Export Scenario

Tea production in Bangladesh has been rising in recent years, but tea export quantity is very negligent compared to total production. Increasing domestic demand, a significant portion of tea is consumed locally. Tea consumption will outpace production in the coming years. In this situation, tea may have to be imported to meet supply shortages. According to the Bangladesh Tea Board, Bangladesh exports tea to 23 countries, including the UK, USA, France, Switzerland, and Japan (Halder, 2022).

Figure 02 depicts the export and production of tea in the last 10 financial years, and the upcoming three years' data has been forecasted based on the previous production and consumption statistics. In FY2011 export quantity of tea and production were 1.16 thousand tons and 68 thousand tons, respectively. Comparing overall domestic output, export volume is extremely insignificant. Due to government subsidies and favorable weather, tea production has increased significantly in recent fiscal years. However, according to ECRL projections for the upcoming fiscal year, production will grow more in the future while exports will decline due to the rising tendency in tea consumption.



*Data Source: Bangladesh Tea Board (2022)
 Note: Projections by ECRL

Opportunity in Tea Production

Following the worldwide trend of tea production diversification, tea producers in Bangladesh can explore a range of options, such as developing new tea variants, making tea of the highest quality, and concentrating on the development of new flavors of tea. The following is a summary of tea production opportunities.

- **Increasing Domestic Consumption**

Domestic tea consumption has been rising over the years, and the average growth of tea consumption is 5% (Bangladesh Tea Board, 2022). In this circumstance, Bangladesh has a limited amount of land to produce tea. To meet the growing demand for tea, existing production areas can be utilized by employing new production techniques. Per capita, tea consumption in Bangladesh is 0.58 KG per year, and the market is expected to grow by 8.53% annually (CAGR 2022-2025) (Statista Market Forecast, 2022).

- **Focusing on New Variant of Tea**

The premium tea market has many potential to expand if Bangladeshi businesses can develop other tea variants and tastes in addition to classic black tea. Such high-end teas can be sold both domestically and overseas in gift packets. These flavored-infused teas are popular and in demand in western nations compared to regular tea. Therefore, such high-end tea may be an excellent export possibility for Bangladeshi companies.

- **Cultivating Tea in The Flat Land Areas**

In recent years, tea has been cultivated in the flat areas of Bangladesh, which can add more production quantity. In several regions of the nation, flat ground is being used for the commercial cultivation of tea. Tea is presently mostly grown on flatlands in Panchagarh, Thakurgaon, Dinajpur, Nilphamari, and Lalmonirhat (Bangladesh Post, 2021). The area under tea cultivation has increased to 10,170.57 acres. However, according to data from the Bangladesh Tea Board, around 40,000 acres of land in Panchagarh are ideal for growing tea (Bangladesh Tea Board, 2022). Tea cultivation in flat land will revamp tea production in the future, which can meet the growing demand for tea consumption.

Conclusion

In recent years, tea production and consumption have been rising, but export is showing a downward trend due to the high growth of local consumption of tea. Besides, forecasts for tea production and consumption are showing an increasing trend. In the upcoming years, tea consumption quantity will exceed production quantity. The upward trend in consumption will hurt tea export, and import dependency on tea is likely to increase for this country. As there are limited players in the tea manufacturing industry, many investors and entrepreneurs are stepping forward to explore opportunities in tea production. Increasing the investment initiatives will help Bangladesh to develop this sector and increase the competitive edge for tea production. To maximize tea production, the government should increase subsidies in this sector and provide a cash incentive to tea exporters.

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