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May 2010

منظمة الأغذية والزراعة للأمم المتحدة

联合国粮食及农业组织

Food and Agriculture Organization of the United Nations

Organisation des Nations Unies pour l'alimentation et l'agriculture

Продовольственная и сельскохозяйственная организация Объединенных Наций

Organización de las Naciones Unidas para la Agricultura y la Alimentación

COMMITTEE ON COMMODITY PROBLEMS
INTERGOVERNMENTAL GROUP ON TEA
NINETEENTH SESSION
New Delhi, India, 12 – 14 May 2010
MARKET DEVELOPMENTS IN SELECTED COUNTRIES – INDIA

Indian Tea-
Market Developments

FAO IGG Meet

Tea Market Construct

With 95% penetration, tea is perhaps the most penetrated beverage in India

Tea penetration in India
95%

Branded Tea penetration in India
85%

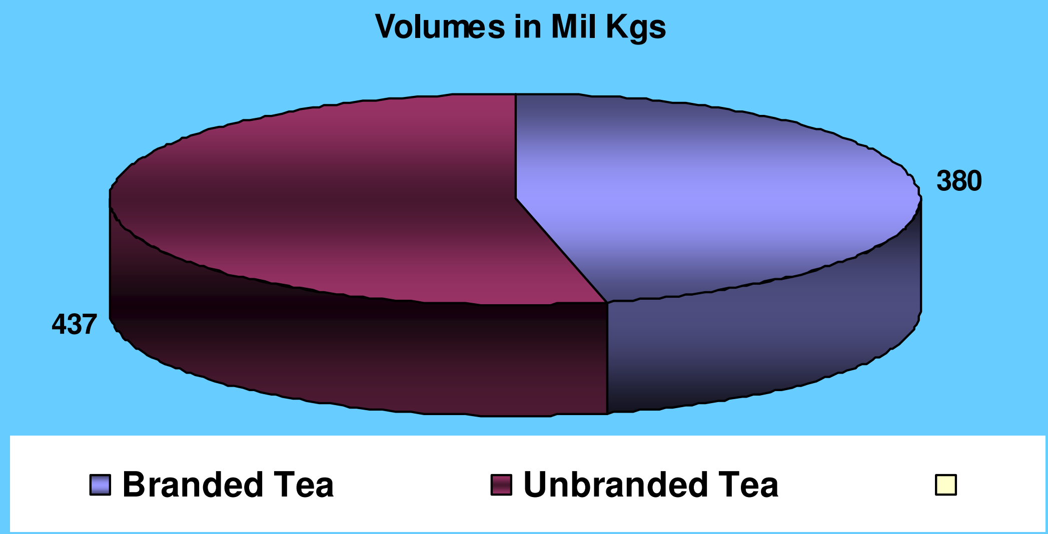
Unbranded Tea penetration in India
50%

Penetration figures for FY 09
Source: IMRB Household Panel

The landscape…

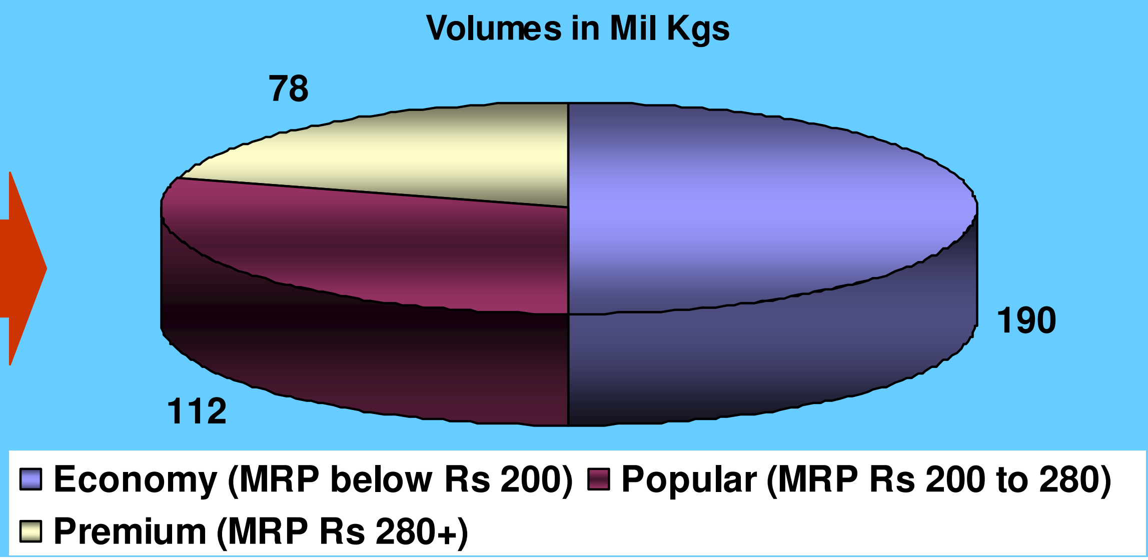
Unbranded tea still command more than half of the Indian tea market

Domestic tea market size 817 Mil Kgs



Economy segment is the largest within branded tea segments

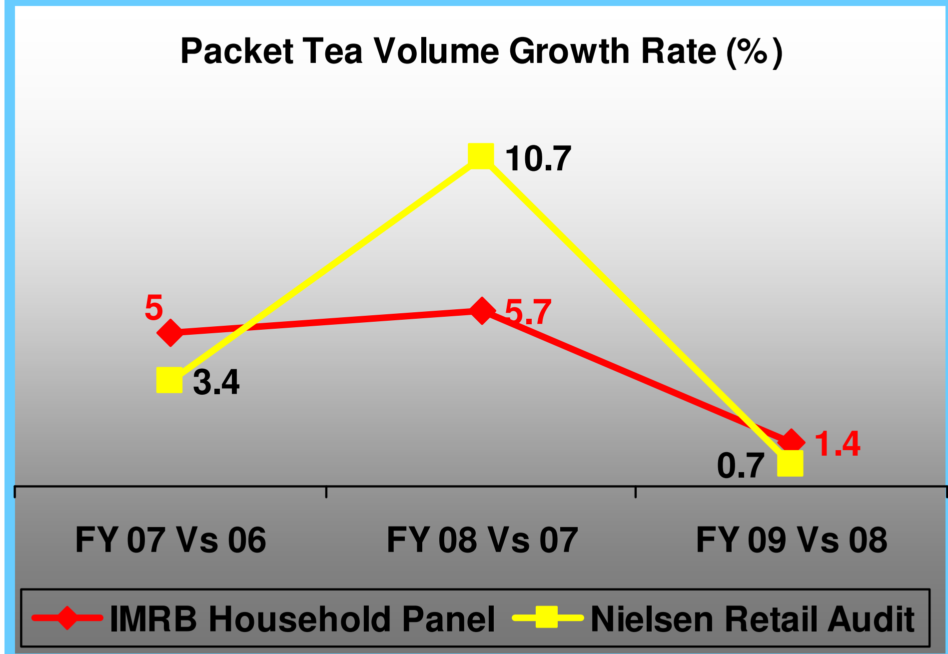
Branded tea market size 380 Mil Kgs

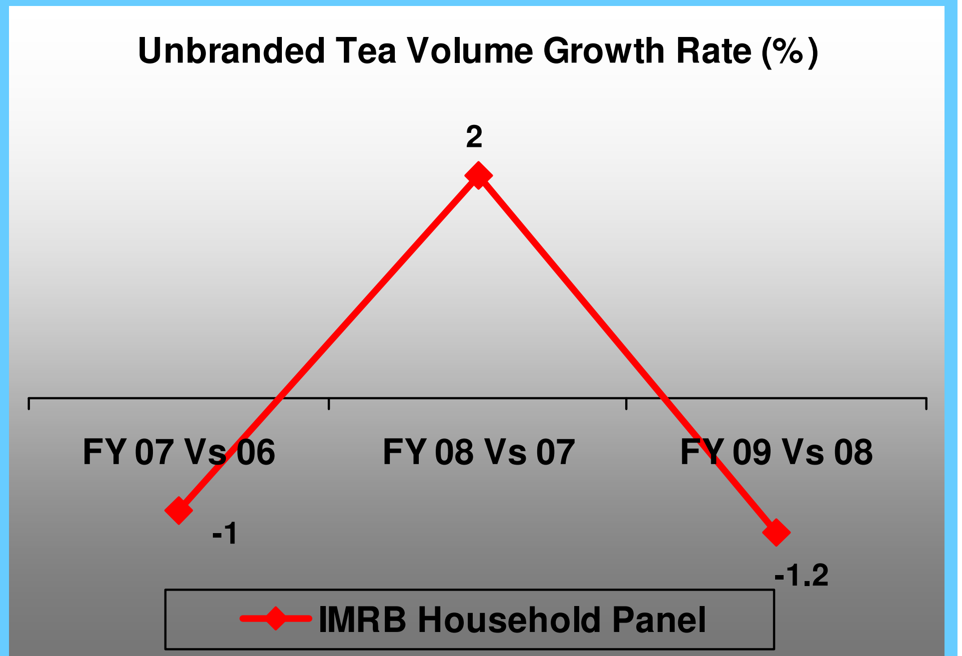


Source: Nielsen retail audit, IMRB HHP and Tata tea internal estimates

Category Dynamics

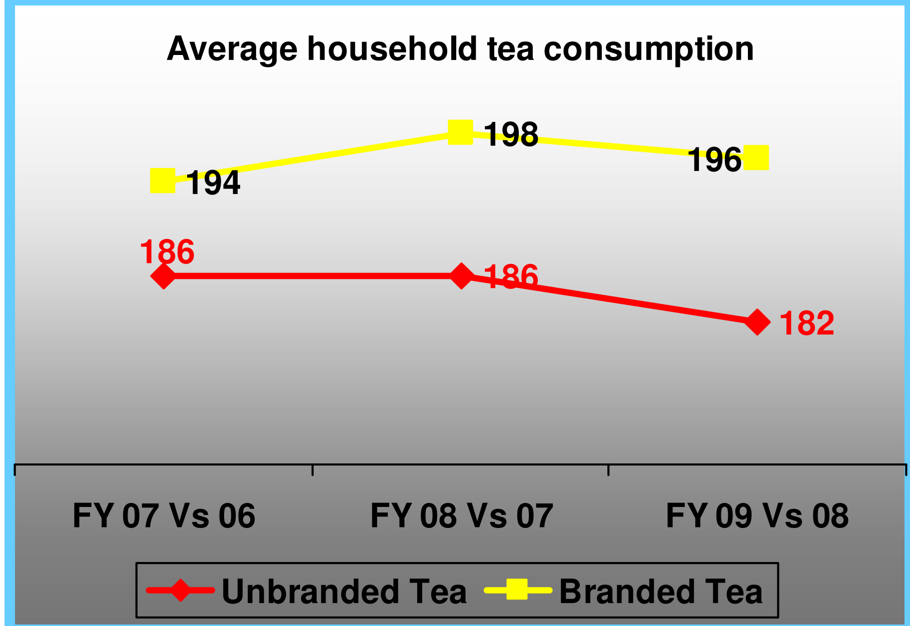
Branded tea is witnessing decline in growth rates; Unbranded tea has seen volume de growth in current FY

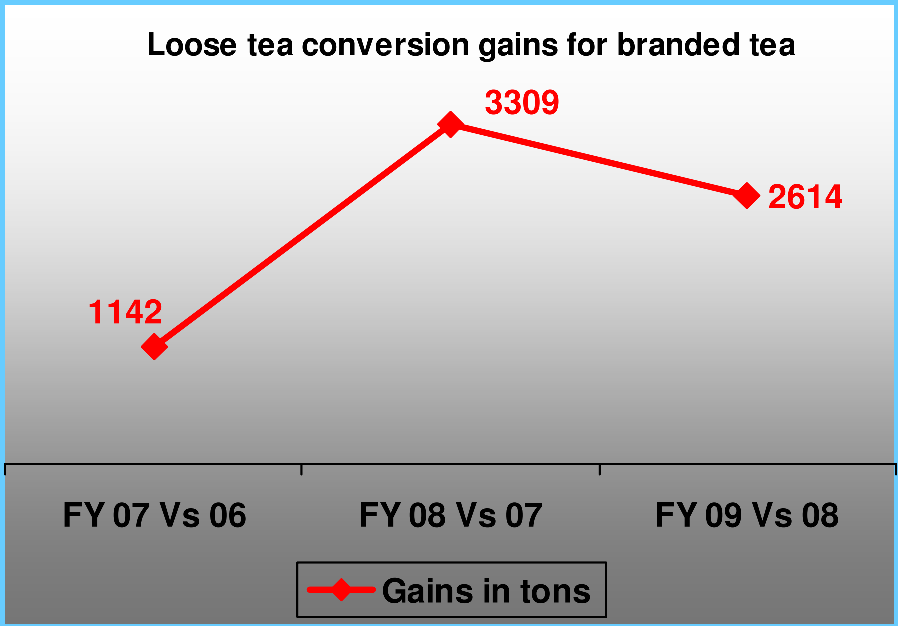




Both branded and unbranded tea are under pressure on volume front

Decrease in average household tea consumption is emerging as primary cause of declining growth rates



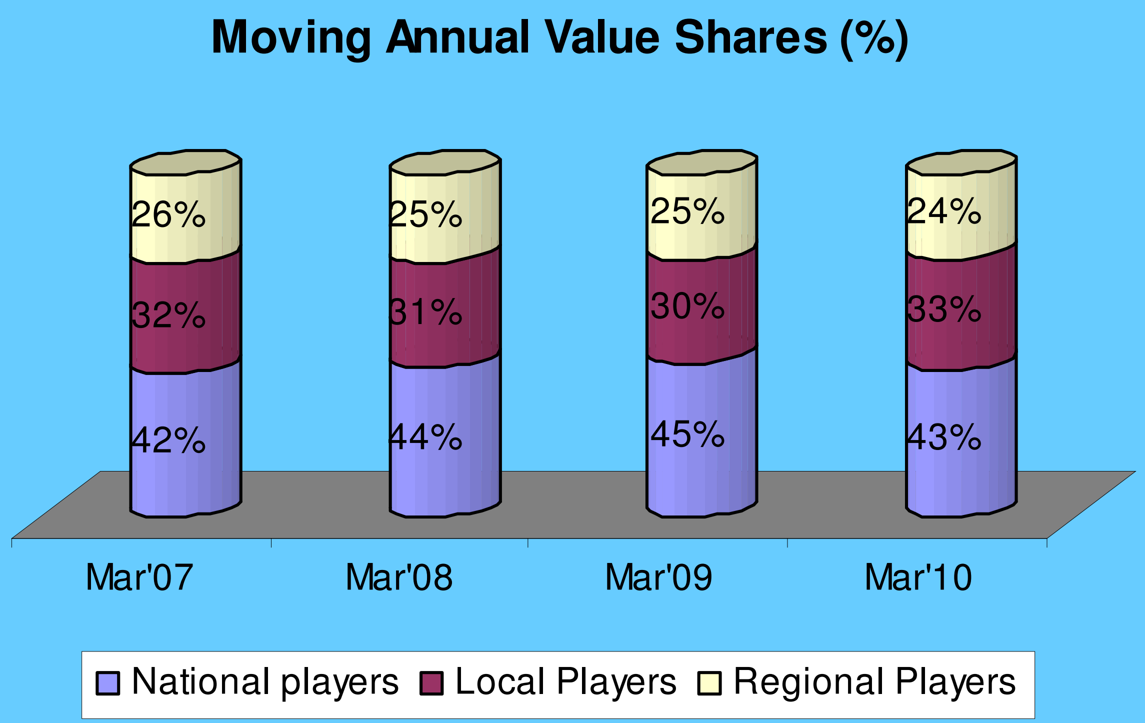


Unit – per household per month in grams

Both branded and unbranded tea are witnessing decline in average monthly household consumption.

Branded tea continues to gain from loose tea conversions

Local players have increased their value shares considerably in the current FY.



Source: Nielsen retail audit

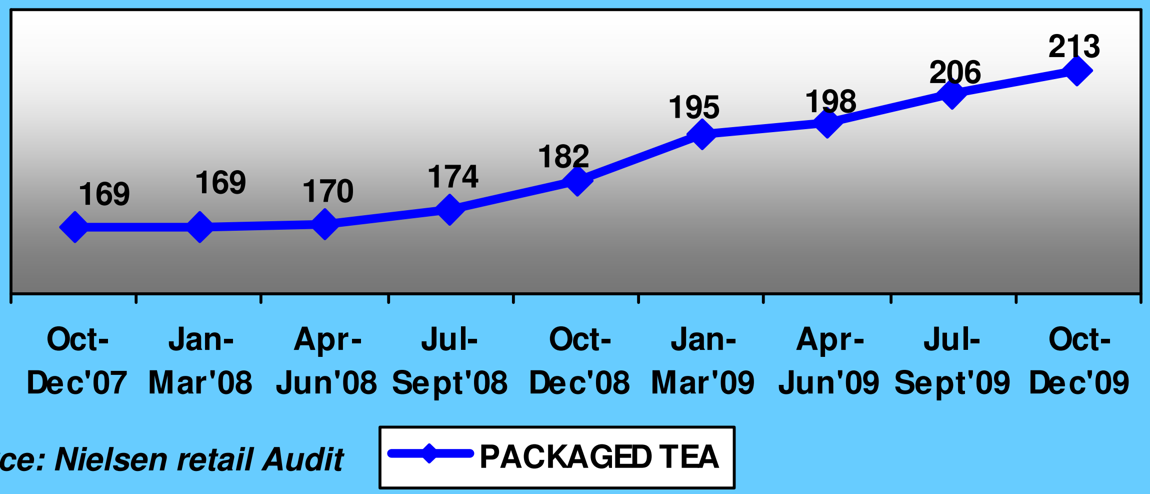
What is causing the recent pressure on tea consumption… *General inflationary situation?*

Inflation (based on WPI with base 1993-94) and growth rate in food output (%)

Item	2005	2006	2007	2008	2009	2010 January	Average 2006-09
Food commodities	2.97	5.09	5.60	7.87	12.90	**19.42**	7.86
Milk group	0.73	4.48	8.17	7.87	8.93	**13.99**	7.36
Sugar	15.09	4.83	-14.69	5.62	36.34	**58.94**	8.02

Sources: *Office of Economic Adviser, Ministry of Commerce and Industry, GOI, New Delhi .*

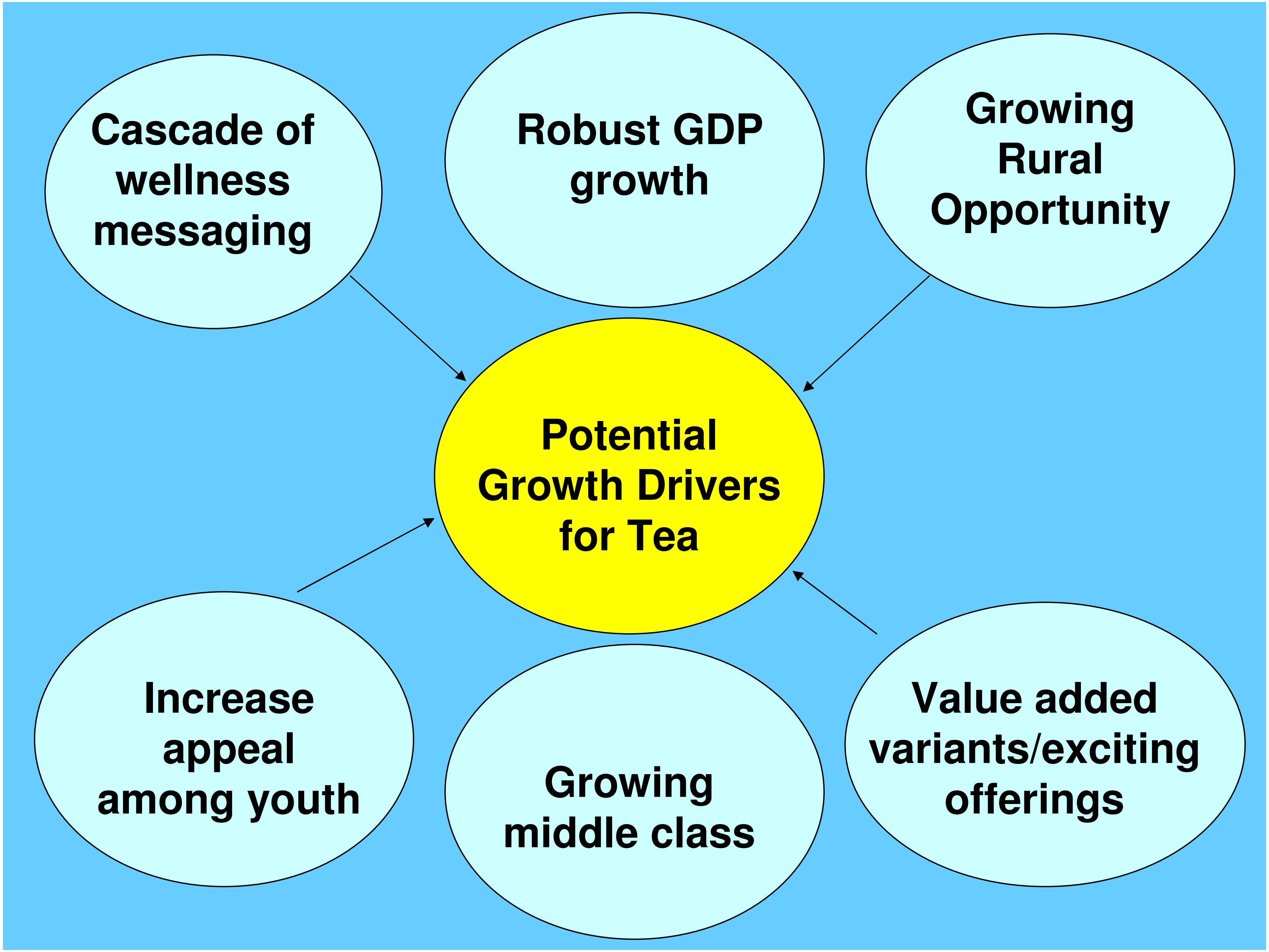
Average Price/Kg in INR



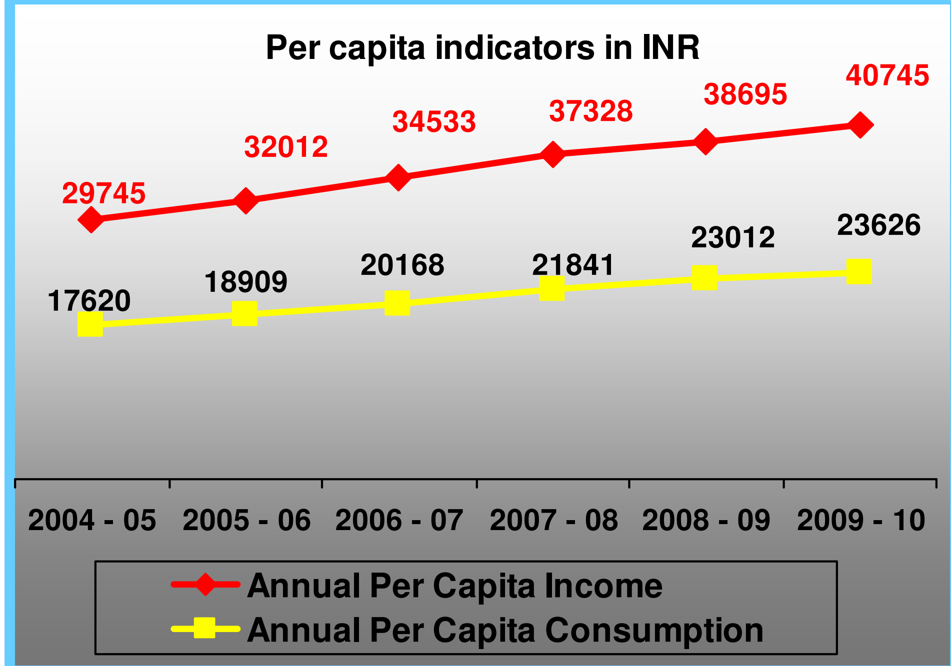
Source: Nielsen retail Audit

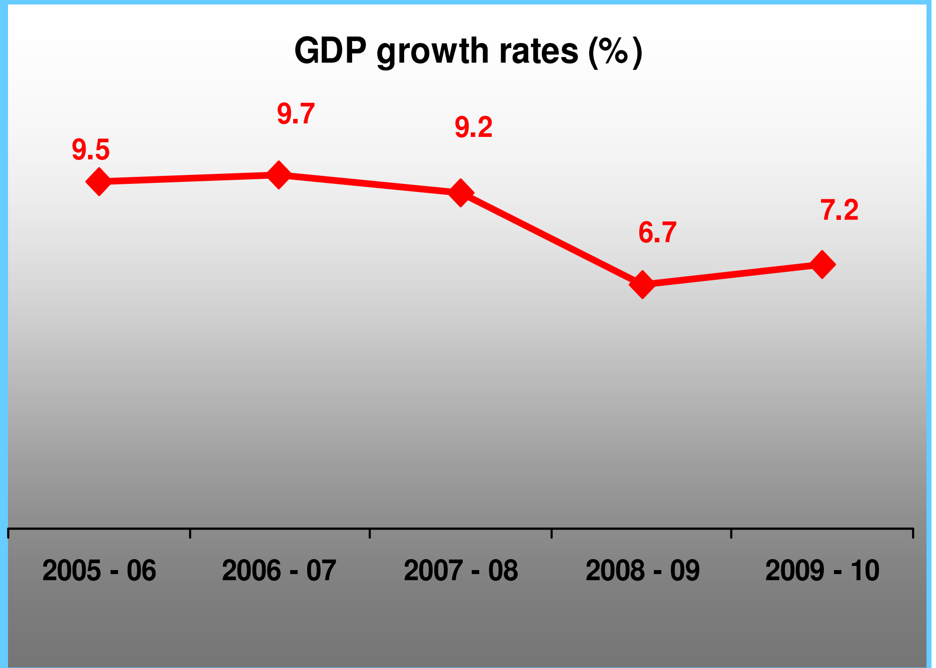
Tea and complimentary industries are witnessing steep inflationary pressure

Market Expansion Strategies


Cascade of wellness messaging
Robust GDP growth
Growing Rural Opportunity
Potential Growth Drivers for Tea
Increase appeal among youth
Growing middle class
Value added variants/exciting offerings

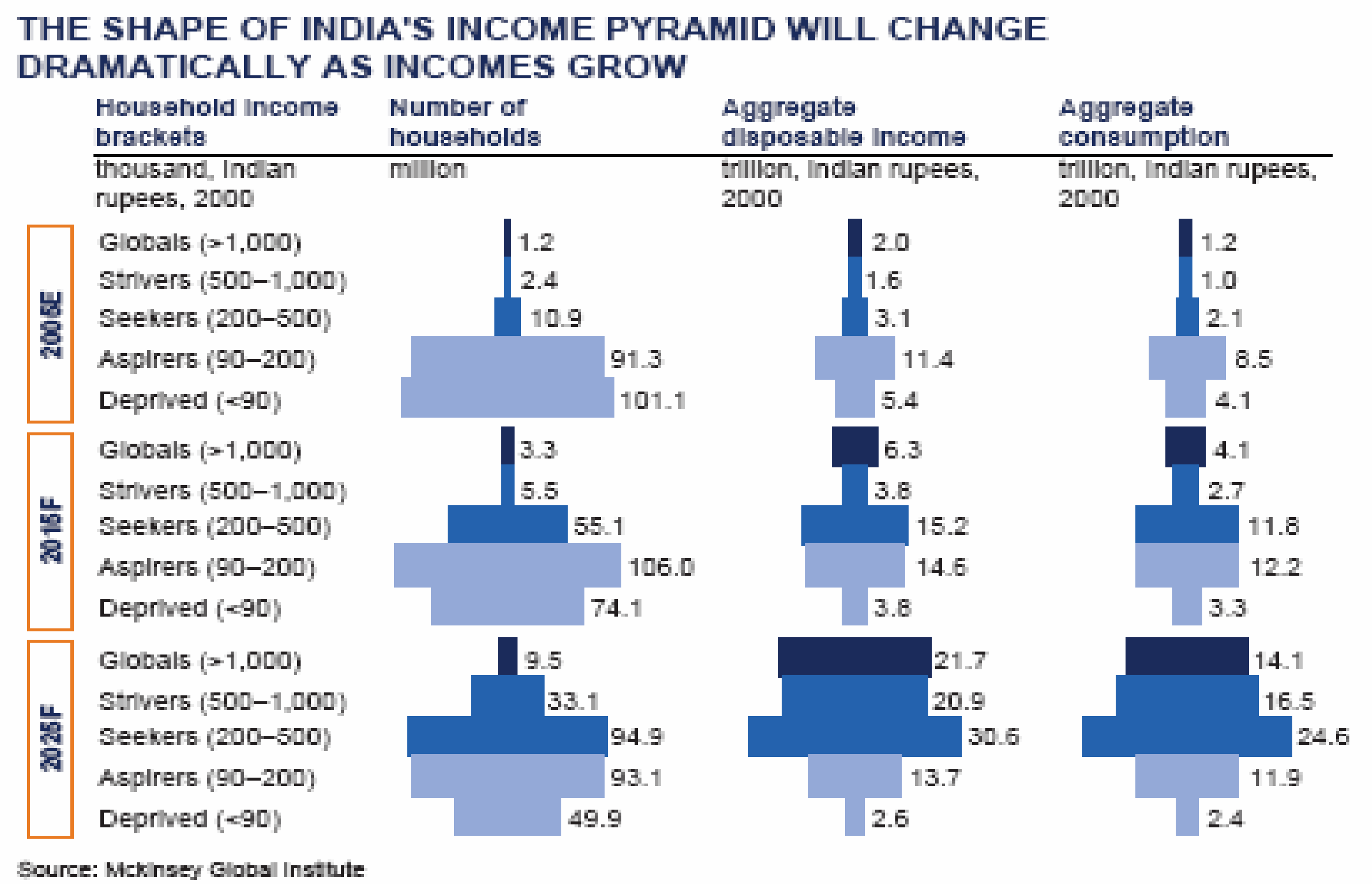
Robust GDP growth





With GDP growth rates back on track, Indian consumers is likely to have more spending power with him now.

The rise and rise of Indian middle (consuming) class



INDIA WILL BECOME THE WORLD'S FIFTH LARGEST CONSUMER MARKET BY 2025

Source: MGI

The Rural Opportunity

More than 6 lakh villages

Rural market for FMCG products is growing much faster than the urban counterpart

145 million households

Nearly half of India's middle-class

More than 60 % of the total disposable income

72% of total Indian population

Source – IRS 2009 R1, NCAER Research Data

Increase Appeal Among Youth

Indian population is becoming younger over the decades.

Young India provides immense growth opportunity for the category

Changes in Population Pyramid-India (2001-2016)

Need to make tea connect better with youth

(as coffee is doing… driven by its imagery/coffee cafes)

Source: Nielsen India

Advertising of tea brands largely in the space of family, in home, serious….

.....whereas coffee connects better with youth / fun.

BARISTA COFFEE

Cascade of wellness benefit of tea

- Increasing trend of adoption of healthier foods and beverages by consumers
- Awareness of wellness benefit of tea largely confined to educated urban consumers
- Cascade of this messaging to masses / rural consumers will drive consumption

Value added variants/exciting offerings

- Tea in value added formats and new exciting variants will increase its appeal as well as consumption occasions

Changes in regulatory framework can facilitate tapping of such opportunities even more.

Lets Make Tea everybody's cuppa…

Thank you for your attention..