

Business Standard

Tea Board fixes minimum price for South Indian varieties at Rs 60 a kilo

North Indian price still being arrived at; Board is also working on e-auction reforms based on IIM Bangalore recommendations

Avishek Rakshit | July 9, 2019



Representative image

The [Tea Board of India](#) is set to fix a price of Rs 60 a kilo as the minimum for South Indian teas, which are sold in the auctions, while it is in the process of arriving at benchmark price for North Indian teas.

The Board is of the view that the minimum price for teas produced in Assam-West Bengal-Himachal Pradesh belt cannot be lower than Rs 90 a kilo.

“To be fit for human consumption and pass the necessary quality tests as prescribed by the Food Safety and Standards Authority of India (FSSAI), there has to be a minimum price below which it is impossible to sell tea to at least recover the cost of production. Keeping this in mind, the MBP is being set”, said A K Ray, Deputy Chairman at the [Tea Board of India](#).

The Board is currently in talks with various associations in North India to decide on the lowest possible price for teas produced in this belt.

While the bottom-most price assures a minimum price recovery for the sellers at the auctions, it also helps in flushing out bad quality tea from the market.

Various tea companies have been complaining of low tea prices and higher costs and prices not increasing in the country's auctions despite improvement in quality.

“Often it is seen that tea is sold at Rs 80-90 a kilo to big buyers. This in turn, has a cascading effect on the entire eco-system where prices of quality estate teas are also haemorrhaged”, a senior executive at a leading tea producing firm said.

Around 50 per cent of the total tea produced in India is sold in auctions and the rest in private sales.

However, such an initiative will have inflationary pressure on tea prices but is expected to better the quality of teas sold.

As a step towards this initiative, the Tea Research Association has come up with a machine and an app which detects the fine leaf count in tea thereby detecting its quality. Industry officials say a minimum of 30 per cent fine leaf count is desirable to obtain standard tea.

Fine leaf refers to ‘two leaf and one bud’ from the tea plant.

Ray said that besides the MBP, the Board has taken other initiatives as well to bring Indian tea at a “desired level over the next 2-3 years”.

Ceylonese tea, produced in Sri Lanka has successfully eaten into core Indian tea markets as the island country focussed on the whole leaf tea variant, which is demanded globally and is priced much better while India focussed on the CTC variant.

India produces more than 1,300 mkg of tea of which only 110 mkg is of the orthodox variant while the entire production in Sri Lanka is of the orthodox variant. Of the orthodox tea production, 90 mkg is exported directly to countries like Germany, Iran, UAE, UK, Taiwan, Poland and others while the rest is exported in blended form.

Reforms in e-auctions

The Board is also in the process of implementing the recommendations of IIM Bangalore in its auction centres which it believes will not only help the tea companies fetch better prices in the auctions but will also fetch more buyers. The Board had consulted IIM Bangalore for recommending policy reforms to improve the prevalent e-auction mechanism in the country.

The Board has also given permission to NSEIT and mJunction – the two e-auction platform licensees to develop platform for selling to consumers and Ray hopes that in the next one year, some mechanism of selling to consumers can be developed by the licensees.

“In future, more and more buying and transaction will happen digitally and that will be the future of the trade. We have given the licensees the necessary permission to develop such business to consumer platforms; I think it will take another year for them to come up with something on this front,” Ray said.

What's brewing?

- Tea Board allows exporters to export tea waste
- Potential tea waste exports pegged at 10-20 mkg
- Tea Board cut registration fee for flavoured tea manufacturers
- E-auction platform to be streamlined to make it more competitive
- Sampling in tea auctions to be reduced to regular buyers
- Tea Board working on logistics to move tea from Assam to Delhi in only 3 days