

Tea

Domestic tea auction prices rose sharply in February and March 2003. The average all-India price during these two months was Rs.62.3 per kg and Rs.54.5 per kg, higher by 32.3 per cent and 25.6 per cent respectively than the average price in February and March 2002. This sharp increase in prices should however be viewed in the context of the thin attendance at auction centres across the country since January, when the Tea (Marketing) Control Order, 2003 and the new directives for tea auctions were notified by the Union Government. The absence of buyers affects the price discovery process as it reduces the extent of competition and the number of bids.

Data pertaining to sales volume of tea at the Coonoor auction during January–March 2003 indicates the extent of decline in the demand for tea at auction centres. The volume of tea sold fell by a whopping 46.8 per cent to 7.72 million kgs from 14.5 million kgs during January–March 2002.

Ostensibly, with a view to resolve the crisis situation and address the grievances of the industry, the Union Government announced amendments to the TMCO, 2003 on 24 April. Manufacturers who produce hand-made tea have been excluded from the definition of the term 'manufacturer'. Buyers of value-added products of tea and secondary buyers who do not source their teas either from auctions or from manufacturers have been excluded from the definition of 'buyer'. The other provisions where changes have been made are sale outside the public auction system, fixation of reasonable price for tea leaves and frequency of filing of returns by buyers.

Tea auction buyers and traders across the country went on a two-day nationwide strike on 21 April and 22 April to protest against the imposition of 12.5 per cent tax on tea in the VAT regime. Currently, tea attracts a sales tax of eight per cent in most states. The industry fears that the increased tax rate could have a cascading effect on the retail price of tea.

Beverages sales of Hindustan Lever, the largest tea manufacturer in the country, declined by 14.9 per cent to Rs.295 crore in the March 2003 quarter. This decline comes on top of a 11.5 per cent fall in the same quarter of 2002. However, PBIT from the beverages business increased to Rs.62 crore from Rs.60 crore during January–March 2002.

Tea production in the first two months of the tea year of 2003 (January–December) was 35.6 million kgs, 7.3 per cent higher than during January–February 2002. Production declined by 3.2 per cent to 826.2 million kgs in 2002.

Tea Prices: Jan–Mar

	Rs./kg	% chg.
Auction centres		
2002	47	-29.02
2003	56	18.29
North India		
2002	50	-31.53
2003	61	22.62
South India		
2002	42	-20.58
2003	47	12.52



Production: Jan–Feb

	Tonnes	% chg.
India		
2002	33129	-10.58
2003	35557	7.33
North India		
2002	5396	-30.13
2003	8656	60.42
South India		
2002	27733	-5.43
2003	26901	-3.00