

# Growers want Tea Board to review pricing formula

Suggest considering prices fetched at private sales while fixing the benchmark rates

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Small growers have urged the Tea Board to review the minimum benchmark price (MBP) mechanism. They have suggested that the price fetched at private sales be taken into consideration along with the auction average while arriving at the MBP for green leaf.

According to Bijoy Gopal Chakraborty, President, Confederation of Indian Small Tea Growers' Associations (CISTA), the MBP for a particular month is currently calculated based on the auction average of the previous month.

"Only around 40 per cent of the tea produced is sold through auction; the remaining goes through private sale, where there is a lack of transparency in pricing. We have urged the Tea Board to consider taking into account private sale price also while arriving at MBP," Chakraborty told *BusinessLine*.

## Small growers, big output

Small tea growers currently account for nearly 47 per cent of the country's production, which stood at around 1,330 million kg (mkg) in 2017-18. However, a large number of these small growers do not get



Private sales account for 60 per cent of the tea trade

even the minimum benchmark price set by the Tea Board during a major part of the plucking season, which spans around eight months in a year.

The average benchmark price for green leaf produced by the segment ranges from ₹12-20 a kg, depending on the auction price. In the 2017-18 season, the growers managed to fetch a price above the MBP only in two months, while they had to sell below that price in the remaining six months, he said.

"This year, production across the country is down by 30 per cent so the small growers have been fetching a better price, but most of the years the price they get for green leaf is never sufficient to meet their cost of production, which ranges from ₹13-15 a kg," he said.

The green leaf produced by the small tea growers is usually procured by bought leaf factories (BLF) as they lack their own processing facilities. A number of tea companies from the or-

ganised sector, including McLeod Russel and Goodricke, also purchase green leaf from them.

## Quality issues

According to Azam Monem, Chairman, Indian Tea Association, a better price to small growers would ensure better quality and compliance.

"If the quality and compliance improves then it will help us fetch a better price in the international market. Currently, the tea grown by small growers cannot be exported due to quality and compliance issues. Hence these have to be sold in the domestic market, where prices have remained almost flat," Monem said.

If a higher price is paid by bought leaf factories to small growers it will also help in creating a level playing field between the organised and unorganised market, said Parimal Shah, Vice-President, MK Jokai, a producer.