

# **STUDY OF AUCTION MARKET OF INDIAN TEA**

**A Project of  
Competition Commission of India**

**Proposed to be undertaken by**

**A P KAR**

**Principal Investigator**

**Institute of Cost & Works Accountants**

# Indian Tea Industry

- **Huge area under Tea ( 460 mha)**
- **World largest production ( 900 mkg)**
- **Producers of good quality tea**
- **Natures gift – ‘Darjeeling’ Quality Tea**
- **Good Research Support**
- **Good Market infrastructure**
- **Declining export**

# Special Features of India Tea Industry

- Production dependent of agro-climatic conditions
- Same plant and same agro-practices give variations in quality in different regions
- Product Life is for limited period
- Labour intensive
- High Cost due to high input cost
- No priority for Scientific Cost Management
- Huge proportion old tea & Low Productivity
- Low investment in Development Programme

# Tea Industry - SWOT Analysis

## Strength

Old Industry – long Experience  
Technical & Manpower Skill  
Good Research Support

## Opportunities

Quality and Brand Equity  
Export Potential  
Big Domestic Market  
Financial Institution support

## Weaknesses

Min development investment  
Stagnant Production  
No Effective Cost Management  
Declining Export

## Threat

Open Global competition  
Low Cost in some countries  
Import of Tea  
Uncertain Price

# Market Structure

**5000 Big Growers**  
**800 mkg**

**150000 small growers**  
**100 mkg**

**Brokers**

**Auction Market –60%**

**Open Market –40%**

**Wholesalers**

**Export – 200 mkg**

**Retailers**

**Domestic Market- 700 mkg**

# **Need for a Balanced Market Support**

- **Uncertain price => Uncertain Return  
=> Risk involved in investment**
- **Variation in Price for same Quality in different markets**
- **No definite guidelines from Market towards Quality improvement**
- **Export promotion programme failed to yield desired strategic advantages to Indian growers**
- **Possible undue influence on demand and supply in domestic market**

# Tea Market Control Order

- TMCQ of Tea Board, 1984 – 75% of producers' tea should be sold through Auction Market
- To streamline the tea selling through organized market
- Better monitoring of selling and pricing mechanism
- Actually only about 60 % sold through Auction market
- Exception Clause – Plantation packaged tea and Bulk Export

# Auction Market for Indian Tea

## **NORTH INDIA**

- **GUAHATI -45%**
- **KOLKATA – 35%**
- **SILIGURI – 20%**

**50 – 55%**

## **SOUTH INDIA**

- **COCHIN – 40%**
- **COONNOOR – 40%**
- **COIMBATORE –20%**

**80 –85%**



# Objective of the study

- ✓ **To understand Auction Market Structure for Indian Tea**
- ✓ **To analyse the system of pricing of tea in auction market**
- ✓ **To see whether there is any abuse of dominant position to influence pricing**
- ✓ **To suggest measures for proper market support for the benefit of consumer and growth of industry**

# Hypothesis for the Study

## Hypothesis 1:

**The big market operators in the auction market cartelise the trade**

## Hypothesis 2 :

**There are some players who are abusing their their dominant position creating barriers against fair pricing**

## Hypothesis :

**Rule of Fair Competitive game should be ensured for the benefit of the consumers and growth of industry**

# Sources of Primary Information

**Collection of information through questionnaire/ direct interactions from :**

- ❖ **Auction Market**
- ❖ **Sellers**
- ❖ **Buyers**
- ❖ **Tea Producers Associations**
- ❖ **Brokers**
- ❖ **Retail Market etc**

# Source of Secondary Information

## Published Reports:

Annual Scientific Reports of Tocklai Experimental Station  
Annual Reports of CSIR Complex, Palampur, H.P.  
Tea Statistics of Tea Board of India  
Tea Statistics of J Thomas & Co. Pvt. Ltd., Calcutta.  
Digest of Tea Statistics, Tea Board of India.  
Annual Reports of North East Council  
Annual reports of some Tea companies

## Published Journals:

Tea and A Bud, Tocklai Experimental Station, Jorhat  
Sri Lanka Journal of Tea Science, Tea Research Institute, a Division of Sri Lanka Tea Board  
Cha Ki Bat, Bhartiya Cha Parish ad, Calcutta  
Tea Review, J Thomas & Co Pvt Ltd, Calcutta  
The Assam Review and Tea News, Assam Review Pub Co., Calcutta  
Economic Trends, Federation of Indian Chambers of Commerce & Industry, New Delhi  
Indian Journal of Aricultural Economics, Indian Society of Aricultural Economics, Bombay  
American Journal of Agricultural Economics Canadian Journal of Agricultural

# Methodology of the study

**Step 1 : Understanding the Auction Market Operation, No of buyers participating, Scope of fair play in the game of buying and selling**

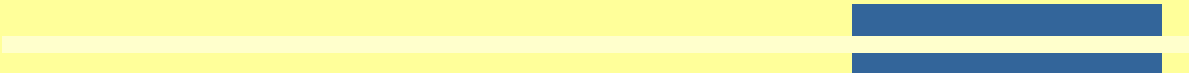
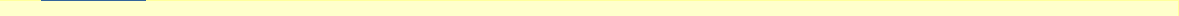
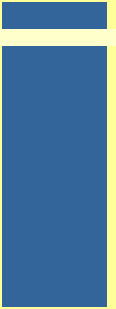
**Step 2 : Collection of information through questionnaire**

**Step 3 : Collection of Information through Sample Survey on market distorting factors**

**Step 4 : Collection of information from primary & Secondary source on market behaviour**

**Step 5: Analysis of possible influencing capabilities of different market players**

**Step 6: Preparation of Report**



Thank You