

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:290

ANSWERED ON:26.07.2005

PRICE OF TEA

Bellarmin Shri A.V.;Karunakaran Shri P.

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether Tea plantation in different States is facing serious problems especially due to the decline in prices;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether the green tea leaves are selling at meagre price in Nilgiris District of Tamil Nadu;
- (d) if so, whether the Government has made any probe into such a precarious situation;
- (e) if so, the details thereof;
- (f) the remedial steps taken by the Government so far;
- (g) whether the Government propose to come forward to fix up a floor price for green leaves; and
- (h) if so, the details thereof and the time by which it is likely to be implemented?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI E.V.K.S. ELANGO VAN)

(a) & (b): Domestic prices of tea have a tendency to move more or less in tandem with the international prices. In recent years, the prices of tea in the international markets have generally been depressed. One of the factors that had caused this fall in international prices was that demand had not kept pace with supply. The all India average auctions prices of tea which were about Rs. 76 per kg in 1998, started declining from November 1999 onwards. Even though during the year 2004, the average auction prices registered an increase, the prices have come down thereafter.

(c): The green leaf price which was around Rs.7.50 per kg in the beginning of the year has declined from May 2005 onwards.

(d) & (e): Over production and resorting to coarser plucking by the small growers are the prime reasons for this situation. During January to May 2005, the tea production in South India went up by about 7 million kg as compared to the previous year. The higher flow of inferior tea due to coarse plucking has depressed the prices.

(f): A number of steps have been taken by the Government and the Tea Board to help the small tea growers. These include implementation of a price sharing formula between the small tea growers and manufacturers of tea with effect from 1st April 2004 in order to ensure that the small tea growers get a reasonable share of the price obtained by the manufacturer for made tea, implementation of a price subsidy scheme for small tea growers for a four month period from February to May 2004 and implementation of a Special Tea Term Loan (STTL) which envisages restructuring/rephasing of irregular portion of outstanding term/working capital loans in the tea sector with repayment over 5 to 7 years with a moratorium of one year for small tea growers. Tea Board has also taken steps to create quality awareness among the small growers.

(g) & (h): The price of tea is determined by demand and supply position and also depends on the quality of tea, which in turn depends on the quality of green tea leaf supplied. Since the quality of tea being produced varies from place to place and season to season, it may not be feasible to fix a floor price for green leaves.