

# THE MONSOON Business Line

## Monsoon set to cool galloping tea prices

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Trend to be clear in 2-3 months, rates may drop Rs 5/kg

### Mumbai, July 4:

Tea consumers might get a temporary respite from galloping prices in the coming months. Tea brands are looking forward to a good monsoon which might help them in reducing prices in the short term. "The price trend in teas will be clear once all the tea is sold in the auctions in the next 2-3 months after the monsoon, says Mr Chinmoy Bandhopadhyay, Controller of Licensing, Tea Board of India.

But the likelihood of tea prices abating after the monsoon is expected to be meagre, probably Rs 5 kg compared with the Rs 15 to Rs 20 kg increase in tea prices over the past year. According to Mr M.C Appaiah, COO, Duncans Tea, "There is expected to be a Rs 5 a kg correction in prices in case the rains are good and there is good crop at the auctions. At the moment there is high demand which is outstripping supply in the tea category."

### Production

Tea production has not kept pace with consumption considering production has been dipping from 981 million kg in 2007 to 966 million kg in 2011. Even internationally the crop has been facing a shortfall especially in Kenya with production down by 39 million kg this year.

In fact, domestic tea prices continue to be high on back poor international crop. "At the most tea prices may come down 1 per cent.

Currently the crop is down in places such as Kenya and once this happens, Indian tea marketers tend to export, leading to increase in prices," observes Mr Harendra Shah, President, Girnar Group of Companies.

But it is the high quality second flush season which might give fillip to prices after the monsoons.

“It is usually after the rains that prices stabilise. Tea prices are cyclical in nature and prices tend to go down after the monsoons and again rise by the end of the year,” states an official from the Tea Board.

***Mr Parag Desai, Director, Gujarat Tea Processors & Packers says, “In July the high-quality 2nd flush season will be ending. And looking at the world-wide high production figures the prices may come down as a general trend with respect to the entire industry. The normal lead time between the same is at least 2-3 months.”***