

Tea Board order for mandatory sale through auction will be counterproductive: UPASI

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By: [FE Bureau](#) | July 28, 2021 3:45 AM

The United Planters' Association of Southern India (UPASI), the apex body of planters in southern India, said on Tuesday that the Tea Board of India's directive to manufacturers to ensure mandatory sale of 50% of the total tea manufactured through public auctions will be counterproductive given the wide divergence between auction and retail prices.

Prashant Bhansali, president, UPASI, termed the order a retrograde step in a free market open economy.

He said the government repealed the mandatory routing of tea through auctions in 2001, in line with the economic policy of liberalisation and free trade, which was subsequently amended in 2015. During this period, many tea producers have developed domestic markets, getting a much better price realisation for their produce, he said.

"At the end of the day, a business must have the liberty of deciding to whom it wants to sell its product and which platform it would prefer to use...", he said.

As per the Tea Board, the mandatory routing of tea through auctions is to make the auction system robust and bring stability in the price realisation process.

However, Bhansali said tea auctions have a finite load capacity as is evident from the steep fall in prices. Further, there is no guarantee that the manufacturers get fair prices to cover even the cost of production, he said.

Bhansali said pressurising the auction system will result in more percentage of out lots, resulting in considerable loss to producers.

Since tea is an agro-based product and the government's policy is to reduce intermediaries in marketing, UPASI thinks the Tea Board direction should be withdrawn, he said.

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