

Reducing import duty on tea would result in influx of cheap teas in market, says TAI

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Synopsis

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By [Bikash Singh](#), ET Bureau Sep 29, 2021, 10:04 PM IST

The **Tea Association of India (TAI)** has suggested that any move to reduce **import duty** on **tea** from the present level of 100% would result in influx of cheap teas in the **Indian market** and would disturb the demand-supply equilibrium.

Presenting a paper to the Anupriya Singh Patel Minister of State in the Ministry of Commerce and Industry in Guwahati on Wednesday, TAI stated, "Due to low cost of tea production, countries like Indonesia, Vietnam, Malaysia, Nepal have the potential to offer average quality tea at much lower prices. Even after taking into account ocean freight and other factors, the landing cost of such teas from these countries are usually cheaper than that of Indian tea. Therefore in such a scenario any move to reduce import duty on tea from the present level of 100% would result in influx of cheap teas in the Indian market and would disturb the demand-supply equilibrium in the domestic market leading to depressed prices, losses, erosion in employment levels and threatening the livelihoods of millions of workers and small tea growers dependent on the tea industry. The present import duty rate of 100% on Tea therefore needs to subsist".

TAI stated that the organised tea industry has been facing the issues of increasing costs and stagnant selling prices, leading to shrinkage of margins, and pushing many estates towards economic unsustainability, across India. Tea production in India has risen from 945 million kgs in 2005, to 1255 million Kgs in 2020, indicating a 33% rise in production in 15 years, (the production in 2020 was decreased due to COVID 19 pandemic, considering the production of 1390 Mkgs in 2019, the rise in production is 47%) which outstripped consumption of tea in the

country, leading to stagnant selling prices for tea plantations.

TAI added that while the share of Indian Production remained constant at around 22% and Export share between 12% to 13% in last 10 years in the World market, China has increased Production share from 34% to 45% and also Export share from 16% to 19%, Kenya too has increased its Export share from 24% to 26% during this period. the Cost of Production in India has reportedly been increased to Rs. 195/- per Kg of MT in 2020. Due to the low cost of production, the competing countries offer their produce at a lower price thereby attracting more buyers for their produce.

The body stated that large quantity of duty free tea imports declared for re-export comes to India at a very low price from different origins such as Africa, Argentina and Vietnam. While some of these imported teas are re-exported as multi origin tea, many importers re-export these teas as Indian origin. As much of these imported teas are of low quality blending such teas with Indian teas and passing off as Indian tea lowers the image of Indian tea and jeopardises the sustainability of the industry in India.

TAI stated, “Chapter VII of Code on Occupational Safety, Health and Working Condition 2020 provides for “Hours of Work and Annual Leave with Wages”. Since the Tea Industry is a seasonal industry, flexibility in working hours should be incorporated to provide flexibility in working hours during lean period and reduction of employment during lean season should be allowed. The reduced permanent workforce during lean season could continue to get the in-kind benefits such as Housing, Medical benefits etc but then cash wages may be substituted by paying through the “MNREGA Scheme” of the Government”.

<https://m.economictimes.com/news/india/reducing-import-duty-on-tea-would-result-in-influx-of-cheap-teas-in-market-says-tai/articleshow/86619887.cms>