

June tea prices up as production falls



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KOLKATA: [Tea](#) prices rose 6.75 per cent in June from a year ago owing to a decline in production. [Production](#) fell 5 per cent year-on-year in May and the trend continued in June, according to industry executives. Below average rainfall in the hilly tea estates of Assam and West Bengal affected production since the second half of May, they said.

India's total tea production in the first five months of 2018 fell to 290 million kg from 315 kg a year ago. In 2017, India had produced 1,321 million kg of teas. The average auction prices of teas from Assam and West Bengal increased to Rs 161 per kg during this period from Rs 151.81 per kg a year ago.

"The demand for tea is very strong in the domestic as well as export [markets](#). Prices have firmed up and we expect this trend to continue in the coming months," said a senior official of Calcutta Tea Traders Association, who did not wish to be identified.

On Thursday, financial services firm ICRA said that while the full-year trend would be determined by supply-demand dynamics in the coming months, the prospects of higher exports in the orthodox segment are expected to support weighted average realisations, particularly given the premium prices commanded by such teas.

However, despite the improvement in prices, cost pressures on tea producers are likely to continue. The new wage structure that will be applicable for tea plantation workers in Assam and West Bengal remains the most crucial factor in determining the financial performance of organised bulk tea players in the two states. In the coming months, a likely increase in export demand, particularly for orthodox teas, together with the depreciation of the rupee, is expected to boost both exports and weighted average realisations.

Kaushik Das, vice-president and sector head, corporate sector ratings, ICRA said, "The recent trade sanctions imposed on Iran by the US, which affect US dollar trade, are likely to

provide opportunities for higher exports of orthodox teas from India, given the payment mechanism between India and Iran, which puts it at an advantage relative to Sri Lanka, the largest exporter of orthodox teas to Iran.”The rise in export volumes from Kenya may place some pressure on Indian CTC tea export volumes.