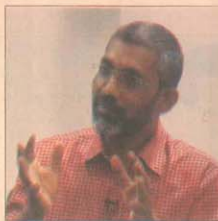


IDEA EXCHANGE

NAGRAJ
MANJULE

'Censor feels we in films can reform people by not using abuses. Doesn't work that way'
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SPOTLIGHT

ENTER PASSWORD

The world is increasingly moving towards an era that has no place for passwords like 'Dadada', used by Mark Zuckerberg for his accounts
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Tempest over tea: E-auctions trigger brokers' protest

■ Middlemen against push for pan-India initiative as it downplays their role

Banikinkar Pattanayak
 New Delhi, June 11

THE government's move to connect tea auction centres across states electronically doesn't quite seem like the brokers' cup of tea.

The brokers, who are used to charging commission (as per their convenience) on their services—handling of buyers' payments and issuance of delivery orders—are resisting the new system that seeks to drastically cut down the role of middlemen to boost participation at tea auctions and ensure

a transparent price discovery mechanism.

A smooth functioning of the system is important, as auctions serve to set the benchmark for tea pricing and are also a key source of supplies for established companies like Hindustan Unilever, Tata Global Beverages and Wagh Bakri Group. While no company has complained of a dearth of tea as of now, any protracted standoff on this issue may impact supplies.

Nevertheless, the Kolkata-based Tea Board, which comes under the Union commerce ministry, expects better participation at the auctions in the coming days with larger amount of tea on sale, as such "teething troubles" will soon be over and the system will stabilise, according to an official.

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Tempest over tea: E-auctions trigger brokers' protest

The pan-India e-auction system was inaugurated by commerce secretary Rita Teaoitia last month.

Prior to the move, the country had seven registered e-auction centres, in Kolkata, Siliguri, Guwahati, Jalpaiguri, Coonoor, Cochin and Coimbatore, where auctions were being conducted through electronic platform provided by the Tea Board.

However, the old e-auction system has some serious flaws, which get reflected in the fact that the share of the tea auctioned in the country's total production dropped consistently from as high as 57.4% in 2008-09 to just 43.9% in 2013-14, before the slide was somewhat reversed and the share rose to 46.2% in 2014-15.

So these flaws were identified and sought to be addressed through the new system by a team led by Santosh Kumar Sarangi, a joint secretary in the commerce ministry, who is also chairman of the Tea Board.

Under the usual electron-

ic auctions, the existence of different auction rules across the centres complicated the processes, while the condition that buyers registered with a particular centre can't take part in the auctions at other centres stifled growth in participation. These apart, cancellation of deal after knocking down of lots, handling of buyers' payments by brokers, presence of proxy bidding system, longer credit period for sellers, issuance of delivery orders before actual payment realisation and manual intervention in case of post-auction processes made the usual system far from robust.

So the new system provides for the participation of buyers in all centres with a single registration with uniform auction rules. A settlement system is being established that will route entire post-auction payments through the settlement bank to ensure transparency and timely settlement of dues, as the bank will act as a settlement agent between all the stakeholders—buyers, brokers, sellers and warehouses. Such a system will also lead to a better price discovery mechanism for sellers.

THE TEA STORY

	(million kg)		Price (₹/kg)	Share of auction amount in total output (%)
	Output	Auction		
2006-07	973.07	506.17	66.35	52.02
2007-08	987.02	514.26	68.37	52.1
2008-09	972.77	558.35	89.7	57.4
2009-10	991.18	524.73	106.36	52.94
2010-11	966.73	526.58	105.4	54.47
2011-12	1095.46	541.83	103.94	49.46
2012-13	1135.07	512.36	127.91	45.14
2013-14	1208.78	531.08	126.12	43.93
2014-15	1197.18	553.02	125.59	46.19

