

## MARKETING OF TEA

Four big international British-based combines control the purchases at the London Auctions and the retail sales in Britain and elsewhere. London auctions are the most important wholesale market for tea. Here the buyers act mainly through the 9 members of the Tea Buying Brokers Association. S. S. Smith account for 50% of the purchases principally for Brooke Bonds, Mendan Tea Co. 18% for Typhoo, G. Harrison & Co. 18-20% for Lyons. Together they account for over 85% of total purchases. There is no free competition in the London auctions due to such a paucity of buyers in whose interest it is to reduce the buying price. Four major buying brokers operating on the London auction handle close on 100% of all teas bought at the auction. London prices influence in a very large way the world prices of tea.

The big buyers also control the retail market in Britain. Brooke Bond OXO Ltd. owned by the giant multi-national corporation Brooke Bond Liebig Ltd. had an estimated market share of 42% of all retail sales in the U.K. Typhoo owned by Cadbury Schweppes Ltd., Lyons Telky Ltd. owned by J. Lyons Co. Ltd. and the Co-operative Tea Society, 17% and 14% respectively. These four firms accounted for about 88% of the British market. There is a similar oligopolistic situation in the retail tea markets of U.S.A., France, Australia and Japan. Liptons/Unilevers control 44% of sales in the U.S.A., 34% in France, 33% in Japan. Bushells/Brooke Bond control 59% of sales in Australia. These are further inter-related with coffee and cocoa marketing. The net result is that these firms have the power of keeping down the price paid to producers of tea, while they charge a high price to consumers.

As Edith Bond says in the "State of Tea"—

"It is not surprising that the

real price of tea for the producer is declining significantly. Between 1961 and 1972 the average annual auction price per kilo of Sri Lankan tea in London decreased from 50.9 per kilo to 45.5 pence per kilo, and in Colombo increased marginally from Rs. 4.25 per kilo to Rs. 4.39 per kilo. This has benefitted the British, who pay a little more for tea now than they did 10 years ago.

### Trade or Aid ?

Although Britain continues to exploit tea and the tea pickers in Sri Lanka, she recognises that Sri Lanka is a developing country by giving it aid. In 1972 Britain "aided" Sri Lanka to the sum of almost £ 4 million less loan repayments of £ 300,000. But aid ties a country to certain conditions and terms which are not always favourable to the country as a social, political or economic unit. The concept Britain helping Sri Lanka with 'aid' becomes an illusion when one realises that the price paid to Sri Lanka for the tea it produces is declining. If Sri Lanka had continued to receive the price paid in 1962 for its tea, then in 1970 alone it would have received an extra £ 24 million in valuable foreign exchange. Over the period of nine years from 1963 to 1971, the loss of foreign exchange earnings calculated on the same basis of the price received in 1962 was approximately £ 110 million. If Britain had continued to pay Sri Lanka the same price that it paid in 1962, it would have to pay an extra £ 38.7 million for its Sri Lanka tea between 1963 and 1971. Figures for British Aid to Sri Lanka are not available for 1963 but between 1964 and 1971 Britain 'aided' Sri Lanka by £ 24.9 million. Only a fair price for tea will enable Sri Lanka to pay a living wage to its workers and become for the first time partners in development with Britain".

On the other hand the selling price of tea retail varies from Rs. 8/- to Rs. 15/- or Rs. 16/- in the

different countries. The working of transport, blending and packeting is much less than the production. Yet the producer country gets only Rs. 2 - 3 and the actual plantation workers about 80 cts. per lb. of tea.

Another device by which the country is deprived of valuable foreign-exchange is the sending of tea from sterling companies in Sri Lanka to London instead of selling at the Colombo auctions. The prices at the London auctions are surprisingly lower than at Colombo auctions. Some Agency Houses such as Whittall Estates & Agencies have been sending much tea to London Auctions on the instructions of their London Agent, Putney Produce Ltd. Here the Agency Houses Commission estimated that the country lost Rs. 149,755 from Jan.-May 1973 on the sales from five estates. A further study of 109 invoices of teas sent to London from Crosby House Group by Whittall Estates & Agencies during Jan.-May 1973 involved a loss of Rs. 334,901 in foreign exchange. The average loss was about 80 cts. per lb. of tea.

From these the Commission drew the conclusions that—

- (1) There has been a definite foreign exchange loss suffered by the country.
- (2) The objective served by what is happening now is the building up of profits at some point outside this country rather than within it.
- (3) As the result of lower price fetched by the estates/companies the profitability of the concerns has been falsified.
- (4) The Government has been deprived of the tax revenue as well as FEEC income on remittances.
- (5) The reduction of the liquidity of the companies has increased the dependence on local borrowings and overdrafts.