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Indian companies to resume large-scale exports to Iraq amid global blues

Tea companies need to be cautious in resuming exports to Iraq

Avishek Rakshit | Kolkata Last Updated at July 11, 2018 07:05 IST

With Indian tea exports to Russia and other European countries on the decline and with the average export prices stuck at last year's levels, Indian tea companies and exporters are planning to resume large-scale exports to Iraq, a lucrative market where exports stopped in 2013-14.

Azam Monem, chairman, Indian Tea Association (ITA), said the Union commerce ministry as well as tea industry officials would visit Iraq later this month to hold discussions on reopening the tea-trading window.

"In 2013-14 we exported around 50 million kg (mkg) to Iraq but it stopped following the escalation of political tensions there. Iraq buys high-quality orthodox tea as well as a cheaper variety of south Indian tea," Monem said.

Iraq consumes around 100 mkg of tea annually and after India pulled out of this market, Sri Lanka and Vietnam increased their hold on the Iraqi tea trade. In case India is able to enter the market again, tea exports from the country, as well as the average price realization per kg, are most likely to increase.

Atul Asthana, managing director and chief executive officer, Goodricke Group, said after intensified tensions in Iraq in the wake of US intervention and the rise of ISIS, the country was back to normal and hence the trade route could be reopened.

As compared to other export markets, India's performance in West Asia has been good. From January to May this year, exports to Russia dipped by 4.26 per cent at 18.66 mkg while for the UK, they fell 10 per cent at 3.75 mkg.

Nearly the entire European and the North American market shrank this year.

In Iran, the second-largest tea export market for India, exports rose by over 13 per cent at 10.36 mkg while in the case of the UAE, the rise was over 21 per cent at 9.74 mkg.

It holds true for exports to Saudi Arabia, other West Asian countries, and Egypt.

According to the data sourced from the Tea Board, exports during January-May, except those to West Asia, dipped by over 3 per cent while sales revenue shrank by more than 2 per cent at \$189.94 million. On the contrary, exports to West Asia rose by more than 25 per cent in terms of volume while revenue increased by over 21 per cent at \$87.96 million during the same months.

In comparison to crush, tear, curl (CTC) tea, whose international prices are stagnant, prices of orthodox leaves, particularly from Sri Lanka and Assam, rose by over 10 per cent this year.

"The global trend is in favour of orthodox tea and importers are ready to shell out a bit more if they get quality tea for blending," said Sugato Dutt, director, Subodh Brothers, a tea exporting firm.

Tea companies need to be cautious in resuming exports to Iraq. In 2008, the country had defaulted on payments to Indian exporters, which was the first thing to happen in the history of tea export from India.

Over the years, government agencies in Iraq have been procuring tea through tenders and supplying people low-quality brews. However, Sri Lankan private sales to private buyers have been lucrative, often crossing \$4.3 a kg.

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