The Tea Auctions in Colombo

Posted on

Christine Jayasinghe



Every Monday and Tuesday the tea trade converges on a stately old building in Fort, Colombo’s busy commercial centre, to conduct a 105-year-old ritual of buying and selling tea. There, at the largest tea auction centre in the world, an average of four to five million kilos of the dark, dried aromatic leaf pass from producers to buyer through brokers each week. With the hammer knocking down about three lots every minute, the auction is a lively rite for participants, but an incomprehensible babel to the uninitiated. Buyers, many of them foreign, bid in short, clipped phrases echoed by the auctioneer on the podium. Unlike other auctions, however, the wares are not displayed at the time of sale, for the prospective buyers have already inspected samples of the teas on offer at least three weeks ahead.

Tea, although being a commodity that the British imported to the country, is Sri Lanka’s major foreign exchange earner. In 1987 tea exports earned 9.25 billion rupees (about U.S. dollars 308 million) which accounted for about 65 percent of the country’s net export earnings. But its fortunes have fluctuated over the years and increasing competition from other producer countries, notably Kenya where

production costs are considerably lower, has eroded the profitability and popularity of Sri Lankan tea.

Today, the average sale price of a kilo of tea is about 40 rupees, but back in 1883, when William Somerville of Somerville and Company offered the first 6,500 pounds to go under a hammer, the price was an average 45 cents a pound. That first auction -which was held 16 years after Scotsman James Taylor planted the first tea seedling at Loolecondera estate near the old hill kingdom of Kandy – was not a success. The bulk of tea offered remained unsold. Two years later, two more brokerage firms joined Somerville and Company to conduct a more formal sale. But it was only in 1894 that the newly formed Tea Traders' Association regularised conditions of sale and since then weekly auctions have been conducted under the auspices of the Association and the Ceylon Chamber of Commerce.

Brokers, of which there are seven active in the Colombo auction today, are required by law to obtain a licence from the Sri Lanka Tea Board.

In the Chamber of Commerce auditorium where the weekly auctions are held, buyers – along with exporters, agency house representatives, packers, wholesalers and industry observers – throng the gallery-type seats. They are almost always intermediaries buying on behalf of overseas principals who will in turn sell to blenders and retailers. They come to the auction having already sampled the lots on offer and participate with the help of a small booklet, a catalogue of the origin, grades, invoice number and quantities of the parcels to be sold.

This catalogue is compiled by the brokers, each of whom has listings of the teas they are pushing for the week. Besides functioning as auctioneers for their lots, the brokers are also responsible for preparing small 85-gram samples of tea and making them available for inspection by the buyer. It is a broker too who 'tastes' the tea – the process of evaluating an infusion of tea leaves by a trained palate. From the colour of the liquor and its taste, he can advise buyers of the kinds of tea which will be available in the months ahead-He can also inform manufacturers of the current demand so that they can modify their methods accordingly, for much of the tea's quality depends on the processing. Usually each estate sends the tea it has produced to its agent in Colombo who warehouses it. The agent then contacts the broker who takes over the selling of each lot. Time was when foreign agency houses in Colombo represented privately-owned estates, handling the selling and marketing of tea for them. Since the I.and Reform Act of 1975, however, the majority of plantations are state-owned coming under the State Plantations

Corporation and the Janatha Estates Development Board.

Today these two organisations are the largest producers and sellers in the country. Sometimes an estate proprietor may wish to sell his tea by private treaty in order to ensure a good price, for that is something he cannot always count on at the public auction. If he wishes to send his produce to the London tea auction in Mincing lane through a British broker, he has to get the permission of the Sri I.anka Tea Board, for the law stipulates that all teas must be sold through a broker at the Colombo auctions.

Occasionally, a seller who is dissatisfied with the final bid on his consignment will opt to withdraw that lot and offer it the following week with the hope of it fetching a better price. However, he has to weigh the fact that the quality of tea will diminish with storage.

Among the wide range of low-grown (between sea level and 600 metres), medium-grown (600 meters to 1,200 metres) and high-grown (over 1,200 metres) teas available for sale each week, there are fancy grades, usually in small quantities, like Silver Tips, Golden Tips and Flowery Fannings which go under the hammer for premium prices.

Ceylon tea, as it is better known around the world, was mainly bought up by the British market till recent years when the Middle East usurped the top slot as the biggest buyer. Now Egypt is the leader with Iraq, the United Kingdom, Pakistan and Syria following. Just as estates at different elevations produce tea with varying characteristics, so do buyers from different parts of the world go for teas of a particular variety. For instance, the cup that cheers the Egyptians has to be strong with dark liquoring (the colour of the liquid), while others in the Persian Gulf go for even stronger, darker teas. The British opt for BOPF (broken orange pekoe fannings), a mild, lighter coloured beverage, while Sri Lankans go for BOP which has good colour and strength.

Despite other beverages, coffee in particular, edging tea out in some markets, tea still has its diehard supporters and is gaining new aficionados. Its versatility as a hot or cold drink that can be imbibed at any time of day has prompted many, including such diverse personalities as Rudyard Kipling, Gladstone and Anthony Burgess, to wax eloquent about it. For Sri Lanka, it is a pot of green gold that is an important prop for its economy and is a direct supporter of more than a million wage-earners.