



# ROLE OF BROKERS & TEA AUCTION CENTRE IN THE PRICE DETERMINATION OF ASSAM TEA

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*Abstract:* Tea as a beverage has a long, colonial imprinted history in India, especially in Assam. The current Assam tea system has not changed significantly from that introduced by the British. Hierarchies were created and still exist today, except that the British now function exclusively as buyers and consumers. The brokers and the auction system follow the British implementation and hierarchies created then, do still exist today. In the study, we will focus on the role of the broker and the auction system and their influence on the tea pricing system, what factors influence the price determination process and what role do brokers and auctions play.

*Index Terms* - tea, tea supply chain, price determination process, broker, auction, post-colonial continuities, performative process.

## I. INTRODUCTION

The Tea Industry of Assam has a rich and interesting history. Assam is known for its lush green tea gardens that produce one of the world's finest teas. Tea in Assam has more than 150 years of history in the Indian tea. Just like any other plantation crops in British colonies, tea as well was an export-oriented industry from the very beginning, as it had been developed mainly to gather the domestic demand of United Kingdom or for re-export (Dey & Gupta,2012).

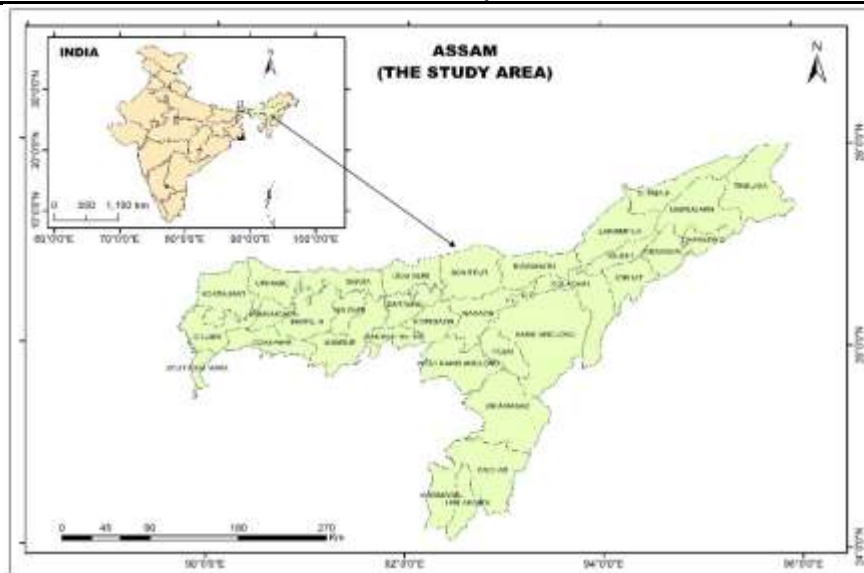


Figure 1: The locational map. (Source: Authors)

However, the magic word ‘Tea’ is associated with many pages of history, inventions and social customs, minor events and interesting tales. Moreover, on the other hand tea was also associated with immense development of commercial and capitalist exploitations as well as foreign investment in underdeveloped economies during



Plate 1: Gopalkrishna Tea Estate (Captured by authors).

the midst of 19th century (Magar & Kar, 2016). Subsequently, the advancement of commerce and industry was behind the inventions of fastest moving ships and the clippers etc. in the 19th century. The commercial profit of the British East India Company was the only motive that had also induced and encouraged to establish the tea plantation in Assam during the early part of the 19th century (Baishya, 2016).

The tea plantation rose to extremes in the last quarter of the 19th century in line with the introduction of easy leases system by the government. Although such development of tea plantation had only benefitted the colonial rule, however the fact cannot be ignored that it has brought incredible changes in each field of economy

While the Guwahati Tea Auction Centre (GTAC) celebrated its 52<sup>nd</sup> birthday in 2022, the system of classifying, valuing and selling tea in India is over 160 years old. In the late 19<sup>th</sup> century, the British established a wide and complex system of tea gardening, tea tasting and the sale of tea (Sharma, 2009) mainly to the advantage of the Empire.

Since then, the tea system was not subjected to major changes and works in the same manner as the British established it more than a century ago. Today, those involved still perform the same tasks in the same way as the tea tasters in the 19<sup>th</sup> century, as habits and performance have been passed down from one generation to another (Gangaram & Hansada, 2021). Changes, as Mr. Gangaram mentions them, have rather occurred in

the administrations system of the tea auctions and as many interviewees said, in the quality of the tea itself (Ibid) for the tasting and evaluation process. The brokers are not only responsible for the tasting and thus also for the basic pricing of the tea, but also for the marketing of the tea via the auction system. And these very standards, criteria and methods that underlie the tasting and evaluation of tea are remnants of a colonial past (Besky, 2016). As such, it is educated and seasoned men, mostly from the Indian middle class, who taste the teas, pass judgement, and determine the price of tea (Ibid). However, it's not only the brokers who taste the tea, evaluate it and set a price. Sellers and buyers also conduct tea tastings and can influence the price of the tea to some degree. Additionally, the role of the market within the tea system should not be neglected when it comes to selling the tea, especially via the auction system.

## II. OBJECTIVES

- To assess the role of broker and auction system in the price determination of tea in Assam
- To assess the processes taking place in the procedures of price determination of Tea.

## III. METHODOLOGY

Pre-field investigations include preparation of questionnaires and schedules. The discussion of other topics of significant relevance also gets importance. The questionnaire is prepared taking in consideration the various parameters of quality assessment of tea and the factory led manufacturing processes. The methodology in the field was direct observations, personal interviews using questionnaires meant for collection of data and information only. Field level observations and interactions with the brokers, Guwahati Tea Auction Centre officials, tea estate owners and workers were the important approaches of the study. The observed phenomena were noted down along with the collection of important photographs of the field and important records provided by the government.

## IV. RESULTS AND DISCUSSIONS

**Role of Brokers and Tea Tasting:** The tea tasting is the most important part of the price determination process. Here, the broker evaluates the actual value of the tea. Coming from a long colonial history, the tea tasting itself happens in the same manner as it was introduced by the British (Besky, Sarah.2016).



Figure 2: Steps involved in the determination of price.

The everyday working life of a broker mainly consists of tea tastings, the auction and networking. Tea tastings cover around two to two and a half days of a broker's weekly schedule. The tastings do not solely happen in preparation for an upcoming auction. There are also tastings that the broker conducts specifically for a tea garden to give them critics, e.g. when a tea garden has lower selling rates than usually and ask the broker for help to improve their quality. However, this paper focuses on tastings in order to sell the tea via the auction system. A tea tasting usually takes a whole day. During one day, a broker tastes 600 - 800, sometimes even

up to 1000 cups, meaning they have to taste up to three cups a minute. Within the tasting procedure, the broker pays special attention to three aspects, before actually tasting the tea:

- (1) **The Leaf Appearance** – the ‘raw material’: Here, they have a look at the colour, the size and the grade. E.g. blackish tea is potentially having a higher quality than a brownish one. The grade can be divided in many different pekoes, starting from orthodox (e.g. orange pekoe) vs. CTC (e.g. broken pekoe) up to different forms of dust (e.g. pekoe dust).
- (2) **The Liquor:** Before tasting the liquor, they have a look at the color of it. A rather yellowish tea is potentially having a higher quality than a red or pinkish one. (See Plate2 and Plate 3 for the colour differences).
- (3) **The Infusion:** There is a specific concoction of the tea that will be mentioned later on. For the infusion, it is mainly the feeling while touching it which will allow a first assessment.



Plate 2 (left) and Plate 3 (right) Captured by authors during J. Thomas tea tasting: On the left a rather yellowish tea, on the right a rather pinkish one.

After the first impression via the three mentioned characteristics, the actual tasting takes place. Therefore, the tea should have a drinkable temperature between 30 and 40°C. The broker slurps and sips the tea and spits it out almost immediately. Then they mention a few keywords to characterize the tea and move on to the next sample. All this procedure underlies standardized rules and methods. This applies not only to the testing procedure itself, but also to the behaviour and approach of the tasters. Besky describes the evaluation of tea as a “real-life experiment”, in order to justify the quality of the tea and the role of the broker as an ‘expert’ (Besky, Sarah.2020). From her point of view, the existence of a broker is an experimental test. This requires a standardized method of brewing the tea. It starts with the amount of tea to prepare a cup, goes through the brewing time, up to the amount of milk added per cup. Those kinds of standards are reflected in a kind of lexicon or lexical index. In this framework, not only the concoction of the tea, but more importantly the behavior of the taster and the wording used during the tasting have their very own, standardized approach and conduct.



Plate 4 (Captured by authors): 'J. Thomas & Co. Private Limited – Tea Tasters' Vocabulary'

This glossary of tea words, in total longer and more detailed than Plate 4 is showing, functioning as an economic instrument, was introduced during the colonial time (Besky, Sarah.2020). As such, Besky describes it as an experimental moment and method, aiming to sustain resources and make them more durable. In that period, the glossary emerged step by step, based on the joint work of scientists and tea-experts. Based on this mode of emergence and behaviour, brokers can be described as "arbiters of quality". As such, a certain recognition and prestige comes along with their praxis which can be seen in their behaviour and expression until today. It is not the persons themselves benefiting from this procedure, but rather the job that comes with it.

This does not refer exclusively to brokers, it can also be applied to the other actors of the tea supply chain, as an intertwining of knowledge, materials, and bodies takes place on all levels of the tea supply chain. To become a broker, the applicants do not need to undergo a training in the classical sense. There is no theoretical part in their apprenticeship, it rather is a process of learning by (watching and) doing. During the interviews, most of the interviewees mentioned that they had some kind of connection into the tea business in before, e.g. via their family. While the brokers learn and educate themselves via practical apprentice, the body is embedded socially. Meaning that they not only learn from others, but also by testing and evaluating itself. To understand the role of the broker and his social prestige in price determination, it is important to first understand the role of tea as a beverage. As mentioned in the introduction, the culture of drinking tea in Assam has a colonial heritage. Thus, in the beginning, tea was a purely British drink, reserved for consumption by the British occupation and the export to Great Britain and Europe (Lutgendorf, 2012). Tea first appeared as a beverage for the Indian population in literature at the end of the 19<sup>th</sup>, beginning of the 20<sup>th</sup> century. From there on, efforts were observed to create a domestic market for tea. Implementing tea as a cultural beverage in Assam encountered different obstacles, e.g. cultural preferences for other beverages or the perception of tea as a foreign commodity. The change in the perception of tea within Assamese society was closely linked to India's independence. Since the plantation economy of tea remained primarily in British hands until India's independence, the Indian population initially came into contact with tea mainly in the form of a commodity, with the Assamese population in the role of plantation workers (Sarma, 2013). Gradually, higher positions on the plantations were filled by the indigenous population. In 1947, the year of India's independence, the majority of tea plantations were still in foreign hands, but the staff at the middle levels already consisted mainly of the local population. After independence, a process of relocalization began. More plantations were sold to the local population (Ibid). With the takeover of the tea plantations by the Assamese population, the hierarchy on the plantations changed: The new owners and responsible persons were now indigenous Assamese, while the plantation workers consisted mainly of migrant workers from other Indian states, who

had been recruited by the British during the colonial period. The productive part related to the brokers' reputation is composed of three aspects:

- (1) The political and historical framework
- (2) The precise procedure (here: the tea tasting) which exists in the form of a kind of protocol
- (3) The socio-cultural role of tea.

On the other hand, the consequences can also be summarized in three factors:

- (1) The reputation, prestige and staging of each stakeholder, especially the broker
- (2) The (re)production of social inequalities
- (3) The strongly (by colonialism given and) regulated system and its security aspect.

It is possible to speak of a cycle that includes these six aspects and maps their alternating effects. The political and historical framework refers to the post-colonial continuities discussed above and current political frameworks, such as the Tea Marketing Control Order of 2003. The exact procedure in the form of a protocol refers to the precisely prescribed procedures of a tea tasting, which are also shaped by post-colonial continuities. As discussed above, this is reflected in the behaviour, expression, and procedure of the brokers at a tasting, and takes place in its precisely prescribed form and procedure in the manner of a protocol whose acknowledgement consists of centuries of success. The last aspect of the (re)productive part of the cycle, the socio-cultural role of tea in Assamese society, has been described in detail here. The role of tea and the widespread recognition of the tea system exemplify and enhance the reputation of the brokers. Without the brokers, most interviewees agreed, the existing tea system could not continue to exist; they occupy a key role at the centre of the system and form the hub of the entire tea supply chain, which further illustrates their social role.

The consequences of the continued reproduction of the system are very much linked to its factors. One consequence is the reputation of the brokers, which consists partly of the history of the tea marketing system and its success, and partly of the socio-cultural role of tea as a beverage and can be seen as a staging process within the society. This reputation and prestige of the brokers manifests itself in the whole procedure, from the tea estate to the buyer and consumer, and at the same time (re)grows from it. In addition, there is the (re)production of social inequalities, which also manifest themselves in the entire tea system. Social inequalities arise not only from the economic and cultural differences between stakeholders and plantation personnel, but also outside the tea system. Here, too, the reputation of the broker plays a role, but the consequence goes beyond that, as to who can afford what kind of tea (Orthodox, CTC, Dust), where it is bought and consumed (on the street, in tea stores, or in tea lounges). This all states something about the socio-economic and socio-cultural background of the consumer and is carried into society as a reflection of the individual through purchase and consumption. The individual stakeholders in the tea supply chain, especially the brokers, enjoy a fundamental prestige beyond that of the average consumer due to their activities in the tea business. The last consequence of the circular economy is the regulated system, which has developed at the same time as the system and its prescribed processes and can therefore also be partially located in the (re)productive aspects. It is listed here as a consequence, since it results from the existing system, and is not a direct part of it in the form of the prescribed procedures. The regulated system, with its set rules and regulations, a kind of protocol of the tea's journey from plantation to consumer, centred on the auction and the brokers, provides security and protection for all involved. The reputation of the brokers, as central figures of this system, is also consolidated and strengthened by this aspect. It is a known, regulated system, in the application of which all stakeholders have a precise expectation of what awaits them, in terms of both - the process and a regulated price range within which tea prices move, thus increasing the reputation of the system, or stagnating it, and ensuring the reproduction of it.

In summary, this means that the system reproduces itself in all its aspects. The justification for this is the successful existence for more than 100 years. Nothing has to change as the system has proven itself. Thus, the socio-cultural inequalities and dependencies also remain because tea as a national drink will not lose its central role in the Assamese community (for the time being), according to the experiences of the field research and the impressions gathered.

**Role of the Auction Process:** The auction is the second most important part of the price determination process. The value of tea determined through the tea tasting is negotiated and renegotiated during the auction between the brokers and the buyers. Reminiscent of colonial times, little has changed in the auction system in India until now (Besky, 2020). As opposed to South India, where a different auction system, the Bharat auction model has been implemented (Sundar, 2021).

In the Bharat model, the price increases automatically in set price increments and set time intervals while the reservation price is to be set by the tea testers before the auction starts and cannot be changed during the auction (P.T.I, 2023). The latter is, besides the automatic increase of the price, also one of the major differences between the Bharat model and the English model. However, the basics of the auction remain true until today. Brokers acting as middlemen have the responsibility to sell the tea on behalf of their clients and to realize a price satisfying their sellers.



Plate 5: Guwahati Tea Auction Centre (Capture by authors).

Auction centers are at the forefront of framing processes of marketisation and performances that persisted from the colonial times until now. Alongside evaluating the tea, it is their job to market the tea to potential buyers and distribute tea samples prior to the auction and produce a catalogue listing the tea with their grade and the valuation price. Buyers can choose between a wide array of different grades, tea estates and age of the respective lot. The valuation price as determined in the tea tasting reflects the value that the tea tasters give to the tea and are keen to realise at the auction. At the auction itself, this valuation price also serves as the set reservation price. The reservation price is the minimum price that the buyers have to pay for the tea to be sold to them (Sarkar, 2021). This reservation price is subject to change by the brokers at any moment as long as the tea is still available for selection or sale at the auction. The change in the reservation price depends, among other things, on the brokers' assessment of the market situation, the national and international demand for tea as well as the supply of the tea. For instance, due to the economic and political crisis in Sri Lanka in 2022, orthodox tea was more in demand and therefore the reservation price in the auction is also set higher than the initial valuation price (Kasturiratne, 2008). In this case economic theories have performed in a way that belief in the rules of free markets and the reciprocal effect of supply and demand leads to the value of tea fluctuating over time regardless of its quality. At the same time, the brokers must adhere to any previous arrangements with the sellers in which a minimum price was agreed upon and which the brokers are not allowed to fall below at the auction. Before the auction and during the tea tasting, the tea tasters assess and evaluate the appearance, the infusion and the liquor and seek out potential buyers to whom they are promoting a tea. During the auction, it is a combination of expectations of the market now and in the future, agreements with sellers, bidding activity and interest of the buyers, past prices achieved and the value they have assigned to the tea itself during the tasting. These and many more factors are taken into consideration by the tea tasters in the minute the tea lots are active and up for bidding. The buyers, on the other hand, employ tea tasters to taste the samples they received, make their own estimation of value and based on these evaluations create catalogues. Serving as a guide for the buyers during the auction, the buyers base their bidding prices and

buying decisions on these catalogues. The coexistence of private transactions and transactions through the auctions enables the buyers to realise their desired prices. This is because the auction prices achieved are used as a benchmark price for private sales. If buyers intentionally keep prices low at the auctions, they also benefit from the execution of direct purchases. As opposed to many mass-market foods such as coffee, milk and sugar, tea is still traded in live auctions instead of future contracts. Whereas the Tea Board deems the brokers acting as intermediaries as obstacle for their vision of a free market, they endorse the auction system, albeit a fully digital version of it, to promote transparency and the liberal trade of commodities. Sitting in an artificially lit and air-conditioned university-like auditorium with the brokers on the stage facing their audience, the buyers, digitally. The rows formerly reserved for the buyers are empty except for the IT staff overlooking the auction programme, making sure everything runs smoothly, and one sole buyer. More than 200 seats equipped with computers and monitors, reminiscent of past times where the Guwahati Tea Auction Center transitioned from outcry auctions to online auctions, remain empty. Steadily replacing the outcry auction since 2009, outcry auctions are nowadays organised for special occasions, such as charities or anniversaries.

The implementation of the e-auctions has more consequences than the seemingly increased option of mobility for the brokers. With the shift from analogue to digital the e-auction programme itself has become an intermediary, like the broker, defining the relationship between actors, the way they interact with each other and how they relate to the commodity that is being sold. The e-auction transforms, translates, and modifies the elements it carries. The different prices visible at the same time within the e-auction are dynamic. The numbers change within the allotted bidding time and their presentation on the screen changes as well depending on the status of the bid, whether it is successfully sold or remains unsold. The reservation price, the price at which the broker is willing to sell the tea for, is a guarded secret and disclosed to no one. Once a buyer meets this reservation price, the e-auction will indicate with a visual change that the minimum requirement has been met and that the buyer will successfully purchase their chosen lot. The prices in the e-auction are the link connecting broker and buyer. While the broker can no longer see who is bidding for their tea and gauge their reaction, they have a variety of prices and teas at their disposal and for them to monitor. Next to the valuation price, the highest current bidder price is displayed as well as the last sale price and their reservation price all at once. When asked what they base their decisions and reactions on, the brokers often responded along the lines with it's the market. It's demand and supply. The brokers are acting in accordance with economic theories. More than that, they actively shape the economic reality they all position they react to. Brokers are not at the mercy of the market, but they are not independent of it either. Within these seemingly externally given factors and circumstances they navigate to realise the optimal price, situating themselves between the economic theories and economic realities they perform and thereby construct.

## V. CONCLUSION

The tea industry in Assam boasts a rich history significantly shaped by colonial influences. The colonial era established a tea system in Assam that closely mirrors the practices introduced by the British, including the roles of brokers and the auction hierarchy. Brokers play a pivotal role in determining the price of Assam tea, conducting tastings, evaluating quality, and significantly influencing the auction system. Through their expertise and standardized tasting procedures, brokers act as 'arbiters of quality,' enhancing the value and prestige of Assam tea. The auction process, reminiscent of colonial times, is the second most crucial aspect of price determination. This process involves tea testers setting reservation prices, with brokers responsible for marketing the tea to potential buyers and determining the valuation price based on their evaluations. The perpetuation of this tea auction system in Assam reinforces the brokers' reputation and prestige, perpetuates social inequalities, and maintains a regulated system that ensures security and protection.



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