

India is working on a strategy to fill the supply gaps that have opened up in the global tea market following the sudden economic crisis that has engulfed Sri Lanka, the world's largest tea exporter.

The strategy includes working out alternative payment mechanisms for trade with sanctions-hit Russia and Iran, marketing and brand promotion activities in Europe and North America, and supporting exporters facing high freight costs.

The island nation has been left grappling with a sharp decline in tea production amid 12-14 hour power cuts, as it announced a default on all its external debt of \$51 billion.

The department of commerce and the directorate general of foreign trade are exploring ways to address the bottlenecks faced by tea exporters.

"India's orthodox (or loose-leaf) tea production is enough to cater to the gaps left by Sri Lanka. We are working out ways to fill in the supply gaps left by Sri Lanka. We are talking to exporters and trying to address the bottlenecks related to payment settlement issues with Iran, support amid skyrocketing freight charges, and brand promotion in newer markets. If these are addressed, Indian exporters can go full throttle," said a tea board official.

Tea exporters said India is well-positioned to capture markets in countries that import orthodox tea. India could strengthen its footprint in Iran and the Sri Lankan economic crisis could open up newer markets such as Turkey, Iraq, the US, China and Canada.

"We have received queries but are worried about payments being stuck from two major importers facing US sanctions, Iran and Russia. Besides, extremely high import duty in Turkey is also acting as a deterrent in aggressively expanding the footprint," said a major tea exporter who did not wish to be named.

Data collated by the Tea Board of India showed that in 2019, Sri Lanka exported tea worth \$167 million to Turkey, \$132 million to Russia, \$75 million to Iran, \$104 million to Iraq and \$55 million to China.

Russia, Iraq, Turkey, Iran and Chile are among the top markets for Sri Lankan tea, experts said. India could capture markets in these countries if the Sri Lankan economic crisis deepens further, they said. "We can concentrate on the US, Canada, Iraq, Germany, and China as these are untapped markets and there is tremendous potential. Meanwhile, Turkey could be a new market for Indian tea but the problem is Turkey's import tariff of 145%. Sri Lanka was able to circumvent it by putting up a packaging plant in Turkey. India does not have such an arrangement," a government official said.

Queries emailed to the spokesperson of the department of commerce on Monday remained unanswered till press time.

Experts said that Sri Lanka and Kenya are major exporters of tea as they have little domestic consumption.

With a significant exporter like Sri Lanka facing an unstable political and economic environment,

the global price of tea could soar. Listed Indian tea companies were also trading higher following the unfolding of the Sri Lankan economic crisis. McLeod Russel India gained over 11%, CCL Products was up over 10%, and Tata Tea up nearly 13%, last month. Neelamalai Agro also gained nearly 10% in the last 30 days.

"The problem is payment uncertainty. Working capital is scarce and we can't keep on exporting without certainty of proceeds," another tea exporter said, also asking not to be named.

US sanctions on Iran over its nuclear programme have led to disruptions in exports of tea and rice in particular, according to a commerce department official. US sanctions are also hurting tea exports to Russia, another big importer. Moreover, only a few ports are open to receive shipments.

Iran is India's largest tea market, followed by Russia, the US, the UAE, and the UK.

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