



## DIGITALIZATION FOR ROBUST COOPERATIVE MODEL: A CASE OF E-AUCTIONING AT TEASERVE IN NILGIRIS DISTRICT

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### **Abstract**

Tea factories are the associations of small tea growers organized to get reasonable price for their tea leaves and also venturing into production of tea. The study main aim was to help and ensure small tea growers in getting reasonable and remunerative prices for their tea and to establish various necessary price discovery mechanisms for primary marketing of tea and administer them in a transparent manner. An electronic auction system consist of three main activities i.e. Pre-auction, auction and Post auction activities. It revealed that the cooperative tea factories (INDCO) who are securing their made tea through the E-Auction centres. The e-Auction system integrates the process starting from creation of invoices till the delivery of tea from the warehouses, enabling better control and avoiding duplication of work thus reducing time.

**Key Words:** E-Auction system, Tea Factories, Electronic.

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### **Introduction**

Cooperative enterprises are people-centric organizations and they are envisioned with economic development with social contents. Cooperatives are well blended with socio-economic spheres of the rural masses and they are contributing enormously to their livelihood. Cooperative Tea factories are the associations of small tea growers organized to get reasonable price for their tea leaves and also venturing into production of tea. The federation of cooperative tea factories, called as INDCOSERVE, which coordinates the activities of all the Industrial Cooperative tea factories, in the areas of marketing, financial and promotional aspects.

The incorporation of technology has been a constant in business environment since the industrial revolution. However, currently the intensity and speed of introduction of new technologies applied to all areas of life and as well as business environment is the digital component, which is leading to a new revolution.

TEASERVE is the world’s first electronic tea auction centre started by the parent organization INDCOSERVE.

In search of a transparent and better price discovery mechanism for primary marketing of tea, the Government accorded permission for setting up of an Electronic Auction Centre vide G.O.Ms No.36, Small Industries Department, dated 16.07.2002. Accordingly, the new Industrial Cooperative Society in the name of TEA MANUFACTURERS SERVICE INDUSTRIAL COOPERATIVE SOCIETY LIMITED popularly known as "TEASERVE" was registered on 28.08.2002 and commenced its business on 3.9.2003. However, it commenced its regular auction on the sale of made Tea with effect from 1-10-2003

### Objectives of the TEASERVE

- i. To help and ensure small tea growers in getting reasonable and remunerative prices for their tea.
- ii. To establish various necessary price discovery mechanism for primary marketing of tea and administer them in a transparent manner.
- iii. To maintain stability and avoid speculation in the price of tea.
- iv. To ensure that due representation is given to all the sections of the tea industry in primary marketing of tea.
- v. To disseminate market intelligence to its members.
- vi. To safeguard the interest of the small tea growers and plantation workers in general, and to promote tea as a health drink.

### Seller Members in TEASERVE and their sales as on 2023

Particular	Seller Members
Indco tea factories	17
Private Bought Leaf Tea Factories	124
Private estate factories	32
TANTEA	1
Government of Tamil Nadu	1
Buyer Members	10
Total	185

### E-Action system

The newly designed e-Auction system is being used by all the seven Auction Centres (Kolkata, Siliguri, Guwahati, Jalpaiguri, Cochin, Coimbatore and Coonoor). The various users of the system like Manufacturers, Warehouses, Auctioneers and Buyers have been provided with access to various functionalities of the system. Each Auction Centre will be entitled to carry out functions like registration, incorporation of changes in policy and information maintenance. The e-Auction system integrates the process starting from creation of invoices till the delivery of tea from the warehouses, enabling better control and avoiding duplication of work thus reducing time.

Live e-auction (parallel with physical auctions) started on April 8, 2009. Coonoor was the first place in the world to switch over to the E-auction system. The auctioning of tea in India is being supervised by the Tea-Board of India. Electronic bidding or shortly e-auction system of tea has been developed with wide connectivity of computer networks. This electronic platform will bring more transparency in auction system so that tea producers get a fair price.

### Tea Auction Process at Coonoor Tea Trade Associate

Tea Auction is a means of disposing the teas produced by manufacturers to a wide range of buyers in a competitive manner for fair discovery of price. Public tea auctions have always played a key role as the main vehicle for primary marketing of tea in India. Public tea auctions handle only loose tea in bulk packages.

**The primary stakeholders of the auction system are follows:**

- **Auction organizers**-Responsible for organizing and conducting the auction at their respective auction centres.
- **Sellers**- Sellers are the factories who manufacture tea from the green tea leaves. The teas of sellers are sold directly into the auctions at present.
- **Buyers**- Buyers are the purchasers of teas sold into the auction.
- **Brokers**- Brokers are ‘auctioneers’ of teas who sell tea on behalf of sellers at the auction centres. Brokers undertake various activities related to auction like, sampling & cataloguing of teas, fixation and modification of reserve price on behalf of sellers, pre and post sale documentation, collection and depositing taxes on behalf of producers, etc.
- **Warehouses**- Warehouses are the places where teas to be sold in the auction are stored.

At present, auctions are being conducted across all the seven centres of the country on a Pan India basis i.e under a single rule of the Board known as “Pan India e- Auction Rule”. For participating in auction process, all the stakeholders need to be registered with Tea Board. Apart from Tea Board registration, the sellers and brokers need to be registered with the auction centres where they would like to offer their teas. However, the buyers registered in one auction centre can participate in the bidding process of all the centres across the country.

**Main Activities of E-Auction System**

An electronic auction system consist of three main activities i.e. Pre-auction, auction and Post auction activities.

**Pre-Auction Activities**

1. The sellers/manufacturers send their produce to warehouses for cataloguing their teas in the auction sale of the nearby auction centre.
2. The brokers prepare and publish the auction catalogue within the stipulated time of a sale for a particular centre based on the arrival of teas marked for that centre
3. Brokers also collect samples from those teas for tasting and valuation purpose (base price and reserve price fixation).

a. **Auction Activities**

The Teas that have been catalogued are auctioned off on set dates in designated auction centers, with buyers bidding. On the auction day, lots are auctioned off at random in various sessions. Finally, the lots are demolished in the name of the highest bidder.

b. **Post-Auction Activities**

After completion of auctions in a particular day, the successful bidders make full payments of the lots purchased based on the invoices raised on them by the sellers or brokers on behalf of the sellers and obtain the delivery order for taking physical delivery of the teas from the warehouses. The maximum time period available to a buyer for making payments is 13 days (Prompt Date). The amounts received by the sellers/brokers are then finally distributed to all beneficiaries (sellers, brokers, warehouses) in required proportion within next working day. The settlements of payments i.e. receipt and disbursal of auction proceeds takes place through a settlement bank designated for that centre.

Total Quantity Sold in lakh Kgs						
YEAR	INDCO	Bought Leaf	Estate Factories	TANTEA	Total	Overall Growth Rate
2011-12	158.8	7.29	0.02	0.23	166.3	0
2012-13	161.22	8	0.01	1.65	170.9	2.73
2013-14	159.39	6.85	0.04	1.03	167.3	-2.09
2014-15	171.2	3.58	0	1.58	176.4	5.41
2013-16	152.63	0.33	0	1.58	154.5	-12.37
2016-17	130.63	0	0	0.5	131.1	-15.15
2017-18	134.34	0	0	0.05	134.4	2.49
2018-19	135.7	0.17	0	0.28	136.2	1.31
2019-20	128.47	0.35	0	0.05	128.9	-5.35
2020-21	102.7	0.01	0	0	102.7	-20.30
2021-22	64.77	0.45	0	0	65.2	-36.50
<b>Total</b>	<b>1499.85</b>	<b>27.03</b>	<b>0.07</b>	<b>6.95</b>	<b>1533.9</b>	<b>-79.82</b>
<b>Average</b>	<b>136.35</b>	<b>4.505</b>	<b>0.01</b>	<b>0.63</b>	<b>139.4</b>	<b>-7.26</b>

The above table shows that the cooperative tea factories (INDCO) who are securing their made tea through the E-Auction centres. The participation by the member sellers in the sales process indicates that INDCO factories are playing a vital role.

Total Sales Value in lakhs Rs						
YEAR	INDCO	Bought Leaf	Estate Factories	TANTEA	Total	Overall Growth Rate
2011-12	9167.36	457.7	1.53	13.4	9640.0	0
2012-13	13703.81	728.49	0.52	145.91	14578.7	51.23
2013-14	13085.1	591.88	4.32	91.24	13772.5	-5.53
2014-15	9555.78	214.65	0	78.5	9848.9	-28.49
2013-16	9589.18	18.99	0	111.33	9719.5	-1.31
2016-17	11568.16	0	0	47.32	11615.5	19.51
2017-18	9215.31	0	0	3.86	9219.2	-20.63
2018-19	10614.98	17.09	0	26.08	10658.2	15.61
2019-20	9254.78	29.13	0	5.15	9289.1	-12.85
2020-21	11617.26	0.71	0	0	11618.0	25.07
2021-22	5434.26	48.83	0	0	5483.1	-52.81
<b>Total</b>	<b>112805.98</b>	<b>2107.47</b>	<b>6.37</b>	<b>522.79</b>	<b>115442.6</b>	<b>-10.19</b>
<b>Average</b>	<b>10255.1</b>	<b>191.59</b>	<b>0.58</b>	<b>47.53</b>	<b>10494.8</b>	<b>-0.93</b>

The above table depicts the sales value of tea which was sold through E-Auction centres. This indicates clearly that of the total sales value, the share of INDICO factories is found to be very high.

Average Sales Price in Rs in lakhs					
YEAR	INDCO	Bought Leaf	Estate Factories	TANTEA	Average Sales Price
2011-12	57.73	62.76	65.24	58.44	61.04
2012-13	85	91.02	115.5	88.44	94.99
2013-14	82.1	86.46	97.94	88.82	88.83
2014-15	55.82	59.96	0	71.36	62.38
2013-16	62.83	57.12	0	70.63	63.53
2016-17	88.55	0	0	94.58	91.57
2017-18	68.6	0	0	73.49	71.05
2018-19	78.22	100.93	0	94.09	91.08
2019-20	72.04	73.01	0	0	72.53
2020-21	113.11	73.01	0	0	93.06
2021-22	83.9	134.77	0	0	109.34

The average sales price of made tea sold through E-Auction shows a trend of ups and downs, starting from the lowest Rs. 61.04 per Kg to Rs. 109.34. This is because the market fluctuation and the operating of demand and supply.

#### Working Result and Audit classifications

Year	Cumulative Profit/Loss	Working Result	Audit Grade
2011-12	3.45	3.45	A
2012-13	7.76	7.76	A
2013-14	22.20	22.20	A
2014-15	7.70	7.70	A
2013-16	5.75	5.75	A
2016-17	2.69	2.69	A
2017-18	9.09	9.09	A
2018-19	14.16	14.16	A
2019-20	-3.26	-3.26	C
2020-21	25.62	28.89	A
2021-22	23.18	23.18	A

The TEASERVE has been earning profit in all the years excepting the year 2019-2020 due to pandemic period and other related issues which affected the business transactions heavily. The Cooperative enterprise has a secured 'A' class in the all the years excepting 2019-2020, where it was classified into C class because of negative working results.

## Findings

### It is one of the notable Tea E-Auction centre in the world

- i. It revealed that the cooperative tea factories (INDCO) which are benefiting much for marketing Tea through the E-Auction centres.
- ii. The average sales price of made tea sold through E-Auction indicates the range from the lowest of Rs. 61.04 per Kg to Rs. 109.34
- iii. Among the different seller share, the sales value of tea which was sold through E-Auction centres, the share of INDICO factories is very high.

## Conclusion

E-Auction has received much attention in recent years. That is the reason why a structured approach for the development of digital markets appears valuable. Each Auction Centre is entitled to carry out functions like registration, incorporation of changes in policy and information maintenance the system gets simplified. The e-Auction system integrates the process starting from creation of invoices till the delivery of tea from the warehouses, ensures better control and it avoids duplication of work thus time factor is greatly ensured.

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