CHAPTER IX

PROBLEMS AND PROSPECTS OF TEA INDUSTRY OF ASSAM

The oldest and the most organized industry of Assam, the tea industry has its own special nature of problems. The colonial past, diverse nature, employment of huge labour force and associated obligatory social responsibilities, moral responsibility to the state occupying it prime land, high exception from it and having to bear the impact of international competition and the fluctuation in prices there of give rise to these problems for this plantation industry which requires in-depth understanding. However, being the cheapest beverage of mass consumption domestically its strong presence and identity in international market and recent research findings of great medicinal properties of the beverage bring hope and expectation to millions dependent on it and specially for the state of Assam. In Assam, tea is more than an industry, it is a way of life.

The problems and prospects of the tea industry of Assam were studied in course of the research study. An analysis of these problems and prospects from those associated with it i.e., from the point of view of producers (tea estates), participants in marketing mainly through Guwahati tea auction centre (buyers, brokers, warehousekeeper etc.), various producers' and labour unions etc. collected through open-ended questionnaires by personal interview of the samples chosen are presented here. A SWOT (Strength Weakness Opportunity Threat) analysis of the tea industry of Assam is also made of these findings.

9.1 Major problems of the tea industry of Assam

The major problems of the tea industry were identified from different angles of plantation, labours, marketing, small tea growers and overall general problems.
9.1.1 Problems of plantation

The tea plantation of Assam are having some serious problems, most of which are on account of old age of bushes and vacancies due to inadequate measures taken over the years.

1. As per recommendation of Tocklai Experimental Station, Tea Research Association, premier tea research institute of India, uprooting and replanting should be carried out at 2.5% per annum. However, during last fifty years or so as per available statistics only about 0.8% replanting, replacement planting and extension planting had been carried out. The rate of replanting alone was even less than half of it. The tea companies donot go for uprooting and replanting as required due to financial constraints and long pay back period.

2. Old age and vacancies in tea plantations were major problems of the tea industry. Productivity growth is showing down due to it. About 30% of total tea area of Assam has crossed economic threshold age limit of 50 years and about 40% above 40 years (1998).

3. In Assam Valley tea estates, land availability for extension planting was getting exhausted. However, Cachar tea estates still had land available.

4. High yielding planting material with high quality was not available to the industry. High yielding clones give plainer teas whereas high quality tea producing clones are low yielding in comparison.

5. High water table, damages due to annual flood and waterlogging due inadequate drainage facility are major problems in many tea estates of Assam which need help from Govt. organisation and joint efforts. Tea plant is very sensitive to waterlogging.

9.1.2 Problems of tea labour

Being labour intensive with unique characteristic and supporting a huge labour force with obligatory responsibilities, problems of this vital sector are diverse and bonus payment is turning out to be a very sensitive issue these days. These problems require in depth analysis.
1. Labour productivity of Assam tea is low.
2. Labour laws, obligatory social responsibilities and complex labour situations required lot of time and expenses from tea management.
3. In Cachar area, in particular, shortage of labour and non-availability of skilled labour force was a problem.
4. The producers felt that there was increased interference of labour unions in organisational matters whereas, the labour unions justified increased wages and participatory management.
5. Incentive by tea companies for increasing productivity was poor.
6. In the cost of production, labour is the largest component which accounts for 35-50%.
7. Labour salaries and wages have risen by 48% since 1998 to 2001. The increase in labour wages has been higher than the increase in consumer price index. In Assam Valley, wages hence risen from Rs 20.10 per day in 1993 to Rs 48.50 per day in 2002 whereas average auction price increased from Rs 51.47 per kg to Rs 65.34 per kg.
8. Bonus has been a contentious issue for the tea labours for years in recent times. The bonus payment is generally made during Durja puja time and a minimum of 8.33 per cent bonus is to be paid as per Plantation Labour Act. Earlier while the tea companies were making good profit, bonus payment of 20% was common. However, due to fall in market and profitability at present, the rate of bonus payment is to be made in mutual understanding and it is resulting in discontent of the labours, often leading to violet incidents.
9. The housing and medical facilities are still not adequate in many tea estates.

9.1.3 Problems of marketing

The marketing system of tea is undergoing changes in recent years due to diversion of tea from time tested auction system to other modes. This instability in the market coupled with losses in exports market has given rise to various problems for the tea industry.
1. Since the loss of Russian market, export of Indian tea is declining over the years. Sri Lanka and Kenya were the main competitors eating into India’s share and even small producing centres like Vietnam and Indonesia increased their orthodox tea export in particular. The impact of decline in export of Indian teas had to be borne mainly by Assam producing about 54 per cent of Indian’s production. Higher prices of Indian tea was also one of the main reasons for it. Continues increase in domestic production and fall in export volume resulted in over supply situation particularly in plainer categories, and prices fell since 1999.

2. The lower cost of production in bought leaf factories from the green leaves of small tea growers as they operate under minimum statutory obligation and their inability to maintain quality due to absence of control over the maintenance of green leaf standards on procurement resulted in inferior quality and low priced tea in market, thus, adversely affecting tea market as a whole.

3. Sluggish demand in domestic market and growing preference of the younger generations towards aerated drinks due to attractive advertisement made by them resulted in fall in prices in addition to above other factors. Cold drinks seemed to wear away tea drinkers from tea. This necessitates repositioning tea in the market.

4. The Govt. of India removed Quantitative Restrictions (QR) on import of tea from March 2001. Import of tea increased considerably over the years since then and teas from countries like Indonesia, Kenya, Vietnam, Sri Lanka were imported for re-export and small quantities made entry to domestic market also.

5. Although auction sale of tea was an efficient system, there were several infirmities. On account of longer transactions time and high transactions cost. It takes about 35 days for the entire transactions in auction.

6. The ultimate destinations anywhere in India was reached within 7 days from Assam. But it takes much more time due to bad road condition, flood, frequent disturbances in law and order situation etc. and thus, resulting in high freight.

7. The producers were not much satisfied with the service of the intermediaries particularly brokers. The small tea estates in particular felt that there was undervaluation of their produce and even acted as “buyers’ agent’ to earn
commission and as they were situated in remote areas and needed regular flow of money to run the tea estates, they could do nothing about it.

8. Due to relaxation of Tea Marketing (Control) Order on compulsory sale of tea through auction, the quantity for auction sale is getting reduced over the years. It is creating special problem for warehouskeeper in Guwahati as they have to maintain definite space for tea storage. The flow of tea was seasonal in nature. As a result of it, space remain unused in warehouses during dull period and high rent had to be paid for additional space acquired on the basis of peak season requirement unnecessarily. There was no subsidy or other schemes from Tea Board or other organisation for warehousing sector.

9. Regular payment from producers was problem for tea warehousekeeper. Earlier the payment system was direct through brokers. But since 1995 when direct payment by the producers came into being, the tea warehouses in Guwahati are facing problems to realize their dues as head offices of tea companies were situated in Kolkata. The outstanding amounts are huge and the warehouses are facing problem to be in operation. A few warehouses have closed down recently and another few are in red.

10. It was revealed that an unauthorized malpractice of payment of commission due to unhealthy competition is prevalent in warehousing sector. This had started earlier due to increased arrivals in the auction centre but unfortunately had continued.

11. Due to non-uniformity of standard size (grading) for various categories of tea for all the tea estates, the buyers face problems. For blenders/packeters buyers, seasonal variation in quality of Assam tea was also a problem. In addition, consistency in quality and proper grading was lacking in most of the tea estates in recent times.

12. It is accused that the big tea companies having head offices outside the state deliberately sent their best quality teas to Kolkata auction and second grade teas to Guwahati auction. In addition, it was also pointed out that large quantities of teas were transferred on account sale and after debiting cost at Kolkata, the teas are shown to be sold at a loss in the balance sheets of some big companies.
9.1.4 Problems of Small tea growers

The emergence of small tea growers in traditional tea industry of Assam is a relatively new phenomenon. Several problems have emerged out of this important development.

1. During mid nineties many small agricultural farmers switched over to tea cultivation on a large scale due to goods prices prevailed during 1996-1998. In 2001, contribution of this sector to total production in all India level was about 19 per cent and for Assam about 15 per cent. The mushroom growth of bought leaf factories to manufacture leaves of these small growers, their lack of quality consciousness and responsibility resulted in fall in prices while total production substantially increased.

2. Most of the small tea growers donot have formal ownership of land under cultivation. As such, they donot qualify for registration under Tea Board and are unable to take advantage of various schemes of the government, financial bodies and Tea Board. Long term lease from State Govt. is not available.

3. Technical know-how of tea cultivation technology is poor.

4. There was no assurance of price realization as there was no planned disposal of green leaves.

5. Bought leaf factories enter into agreement for green leaves mostly with agents or growers for volume of supply of green leaf. Prices vary depending on existing market rate and quality.

6. There is mismatch in supply and processing capacity of bought leaf factories that compels growers to take leaf elsewhere resulting in deterioration in quality due to unplanned transportation.

7. The bought leaf factories generally sale directly in private mode and actual price realization is not known.

8. The small tea growers donot have own factory to manufacture tea of green leaves produced.

9. There are allegations by big tea gardens of theft of green leaves by some elements of miscreants among the small growers taking advantage of the situation.
10. A majority of small tea growers are not fully aware of the credit facilities available for tea developments.

9.1.5 General of problems of tea industry of Assam

In addition to the problems of plantation, labour, marketing and small tea growers, the industry of Assam is facing various other problems. These are discussed in brief here.

1. Cost of production is high in Assam which is due to general obligatory reasons, social responsibilities and traditional system of running the tea estates.

2. The head offices of most the tea companies are situated in Kolkata. The owners/directors, the decision making persons, resides in Kolkata and all the important matters, prices etc, are decided there by them. The persons in Guwahati mostly cannot take any important decision. The purchases are also mostly made there.

3. The tax structure in Kolkata auction was much better than Guwahati. There are also more incentives in blending, packaging etc, in West Bengal. There was need for formation of more encouraging tax structure to encourage more buying by big buyers in particular.

4. Power supply is very much irregular in Assam. Frequent disruptions deteriorate quality and running own generator set is expensive and adds to total cost.

5. Due to geographical locations of Guwahati at one corner of the country and poor transport/communication network, total time required was more for all incoming/outgoing consignments which was a disadvantage in money transaction where stakes are very high and conditions change rapidly.

6. There was still fear in the minds of outside buyers of tea on law and order situation in the state for their free operation here in spite of much improved situation at present.

7. The Cachar tea estates felt that they were not getting their due price from buyers to Cachar stigma and they are not able to come out of it.

8. Plough back of tea industry is poor and it did not encourage development of associated/subsidiary industries in Assam.
9. Tocklai Experimental Station of Tea Research Association established in 1911 by the tea industry is the oldest tea research institute in the World and Assam tea industry was getting the benefits of its R&D efforts since then. However, the membership of this institute is dwindling at present and it is facing severe financial crisis to run its R&D activities which is vital at this present juncture.

10. There is wide spread and deep rooted feeling among the local population of Assam that the tea industry remains aloof in its own still preserved colonial life style and has not done much for the people of the state. Most of the appointments are from outside the state, particularly in executive posts and locals get a raw deal in from the industry.

9.2 Prospects for tea industry of Assam

The major prospects for the tea industry of Assam as evaluated from the study are presented here.

9.2.1 Prospects of plantation sector

Plantation is the most vital sector of the tea industry. In spite the developments taken place over the years, there exists huge prospects and potentials for improvement in production, productivity, quality etc.

1. There was scope for improving quality using available recommended planting materials and by adoption of standard plucking practices with the existing technique of manufacturing.

2. Role of R&D is crucial for tea industry. Although, the tea industry of North-East India was fortunate to have scientific support for last 100 years, there were tremendous scope for further developments with more emphasis on R&D. The continued support of the tea industry and Government in this direction to Tocklai Experimental Station serving the industry would definitely bring great results for the industry keeping in pace with the need of the recent times and solve the problems faced by it. There are possibilities of breakthrough in research through bio-technology and also in manufacturing technology.
3. Full adoption of already available technology and agro-practices by the tea industry would improve both quality and productivity to much higher level than at present.

4. Mechanisation of field operations has not been adopted by the tea estates extensively at present. There exists huge benefits of cost reduction on such a switch over wherever feasible keeping quality intact.

9.2.2 Prospects for tea labour

The important human resource segment of the tea industry, tea labours, holds prospects for improvement in productivity and quality of work and life.

1. Application of human resource management principles in labour management for motivation of the workers have not been seriously attempted in tea industry. Serious efforts on this aspects would improve both productivity and quality in addition to creation of a congenial environment.

2. Tea Board offers a large number of labour welfare measures. These could be availed by the tea estates managements to improve conditions of the vital human resource of the tea estates.

9.2.3 Prospects of marketing

Marketing is the key sector of tea industry. With the advances in technology of recent times, management practices and changes in tastes and preferences in recent times, huge prospects lie ahead of tea industry to explore and exploit.

1. The second flush Assam tea is un-substitutable in the world. Small volumes of niche segments of high priced premium markets can be developed in select countries of the world. Marketing of Darjeeling tea is a fine example of it.

2. There existed good demand in export of orthodox type of tea. Increasing orthodox tea production with active support from Govt. of India in factory upgradation would help in improving export of Indian tea. The global export demand for orthodox tea accounts for about 50% of which India's share was only 14%. The orthodox tea international market can be occupied with well thought long term
policy measures. Orthodox and green tea constitute over 60% of the world tea market and world trade in Orthodox tea has been growing. Orthodox tea also enjoys a larger spread of markets compared to CTC.

3. Indian organic teas have been well received by high value, health conscious steadily growing international markets. This specialty tea holds good promise in near future.

4. Diversification of export market and market developments particularly with value-addition has tremendous prospects in various forms of value added exports viz. instant tea, tea bags, packet tea, flavored tea etc.

5. Brand establishment of Assam tea as per international quality standard and minimum residue limit (MRL) norms with consistent quality maintenance would secure better price in the world market.

6. The despatch of tea through the Inland Container Depot at Amingaon can be improved. The buyers suggested that from the Depot, tea dispatch in single or small number of custom sealed containers may be sent by road or waterways (Brahmaputra) to Calcutta/Haldia port for final shipment. This will speed up the process and more number of export buyers would operate in Guwahati auction.

7. The establishment of second auction centre in Dibrugarh or Jorhat would ensure sale of more tea in Assam.

8. E-auction or online bidding recently introduced has unlimited prospects.

9. New consumption channels like tea vending machines, tea houses in major cities are growing in popularity.

10. Clandestine smuggling of huge quantity of estimated 30-50 million kg of tea per annum to Pakistan and its stoppage since Kargil war is considered to be one important reasons for fall in prices. However, with improvement in relation between the two countries, export to meet Pakistan’s huge domestic consumption of about 130 million kg per annum can be expected.

11. There is a recent proposal for exploration of possibilities of establishment of an auction centre in Dubai to sell tea directly in West Asia and North African market.
9.2.4 Prospects for small tea growers

The small tea growers of Assam with their significant socio-economic impact hold enormous potential and they would be a major force within the tea industry in future.

1. The quality of tea of small tea growers can be improved with adoption of appropriate field management practices through field level training for quality and production practices.

2. Formation of co-operative societies and bought leaf factories of own in co-operative sector would help the small growers to overcome problems from middlemen and improvement of quality. Development of entrepreneurship among the small tea growers can lead to faster economic development.

3. There is good potential of production of quality tea from small tea grower sector with adoption of proper technology as these are young tea plantations.

4. Competitive price can be obtained by small tea growers because of higher productivity and absence of social cost.

5. Fast harvest management and market linkage of small tea growers for both export and domestic market are yet to be explored.

6. There is already proposal for Agri Export Zone (AEZ) for small tea growers for future prospect of the small tea growers.

9.2.5 General prospects of the tea industry

The prospects in general for the tea industry of Assam not discussed elsewhere are listed below.

1. Tea is a health drink and has got exceptional medicinal properties as anti-oxidant, anti-carcinogen and can cure heart disease and colon cancer etc. Aggressive campaigning to promote tea as health drink would increase demand and that would solve major financial problems the tea industry is facing at present.

2. Tea is a staple beverage for Indian consumer. Indian’s per capita consumption was 0.64 kg while it was much higher in neighboring countries like Pakistan (0.82 kg), Afghanistan (1.04 kg) during 1998-2000. It is not only low but the demand
has also been showing down. Thus, there existed potential to improve India's domestic consumption level.

3. Movement of tea cargo by waterways, the Brahmaputra in particular, can be developed with good neighborly relation with Bangladesh.

4. The utility of Inland Container Depot can be developed further. At present only producer exporters are using the Depot, not merchant/buyer exporter.

5. There are also all out efforts at present to bring down cost of production as much as possible while producing quality tea to compete with teas from other foreign producers.

6. The shifting of tea company head offices to Assam will enable them better supervision and monitoring of their plantations. This will also provide direct and indirect employment benefit to the people of Assam as well as to economy as purchases of materials/equipments would be made locally which are procured at Kolkata now. Shifting of Tea Board Head Office to Assam would create employment opportunities and improve local economy.

7. The Lokopriya Gopinath Bordoloi airport at Guwahati has been upgraded as international one. An international highway through Assam connecting Indian with Myanmar and beyond is in the offing. These developments would help future expansion and export of tea to South-East Asian countries in particular.

8. As per a rough estimate of NABARD, development process could be resorted to about 32,000 ha of land for tea cultivation by way of extension, replanting, rejuvenation and infilling and increasing the number of small tea growers in the state. For all these activities, investment credit to the tune of Rs 210 crore every year in the North-Eastern region may be required for which necessary credit support may be forthcoming from the banking sector. Refinance support from NABARD could also help in increasing the flow of credit to this sector.

9. The Govt. of Assam has decided to create a special department to look after the welfare of tea tribes of Assam. The Department of Tea Welfare will be a comprehensive one that will integrate all development and welfare activities presently looked after by different departments.

10. There is long time planning for a 'Tea Township Complex' at Amingaon on the northern bank of the Brahmaputra near Saraighat bridge. It is to provide all the
necessary facilities to tea trade under one roof with sufficient provision for warehousing, trade zone, blending units, residential complex etc. The location is very near to air port, Inland Container Depot, Guwahati city and super highway.

9.3 SWOT analysis of tea industry of Assam
SWOT (Strength Weakness Opportunity Threat) analysis of the tea industry of Assam is presented below.

9.3.1 Strengths
1. Tea is a common man’s drink and the cheapest one in India with medicinal properties. Domestic consumption of tea is very high and India is the largest consumer of tea in the world.
2. Tea was found to grow wild in Assam and Assam is known all over the world for tea.
3. The agro-climate of Assam is very much favourable for growth of tea.
4. Tea is a well organized industry of Assam with firm roots.
5. Trained and traditional labour force is available in Assam.
6. Growth of small tea growers has increased employment avenues and improved socio-economic condition of local people of Assam.
7. The tea industry is supported by a strong R&D back up for last more than 100 years.
8. The Guwahati tea auction centre has the direct support of Govt. of Assam.

9.3.2 Weakness
1. The tea production establishment is single unit of only tea.
2. Tea being a living industry is having overall higher age of the bushes.
3. Investment in single unit does not permit vertical integration up to retail market.
4. The tea industry is dominated by mostly big companies.
5. Tea industry is very much labour intensive. Labour productivity of Assam tea industry is poor.
6. The social security net by virtue of Govt. regulations are welfare oriented. Cost of obligatory social responsibility is high.

7. Production of tea is not elastic when price movement is in reverse direction.

8. Infrastructure sector of Assam is underdeveloped.

9. Tea industry is still being run in orthodox manner.

10. The tea companies have not made investment in other diversified sectors in Assam out of the profits earned over the years.

11. The local population of Assam in general does not have faith in the tea industry and feels betrayed particularly after hand over to Indian concerns. There is mistrust to the tea industry.

12. Production mix of Assam tea is highly tilted towards CTC tea production and orthodox tea production in demand in export market is neglected over the years.

9.3.4 Opportunities

1. Vigorous promotion of tea could revive the lost market and create new market. The medicinal properties of tea are enormous and tea needs to be properly promoted as a health drink to the present health conscious present generation.

2. There is captive domestic market by virtue of natural growth of population.

3. Progress towards stability in Afghanistan, Kajhagistan, Georgia and possibilities of trade relation with Pakistan throw up new opportunities.

4. There is technological advances in production of instant and value added forms of tea.

5. There still exists scopes of product diversification.

6. There is huge prospect for tea based eco-tourism, tea festival in traditional life style etc.
7. Developments like e-auction, proposal for opening auction centre at Dubai for West Asian market are full of opportunities.

8. Guwahati tea auction centre can attract export buyers with Assam producing more orthodox tea backed up by suitable Government policies.

9.3.4 Threats

1. The tea industry of Assam being aged, the overheads have become very heavy.

2. There is very strong competition from other younger industries of countries like Kenya, Sri Lanka, Indonesia, etc., with price advantages.

3. There is stiff competition from aerated soft drinks and distraction of younger generation.

4. The cost of production of tea is increasing over the years but price realization is poor, unpredictable and unstable.

5. Indian tea has earned a bad reputation in international market due to unscrupulous practices of some section of buyers. Other countries have taken benefit of it and have emerged as competitors of Indian tea.