CHAPTER V:
EVALUATION OF THE 
POLICIES OF THE 
GOVERNMENT OF INDIA, 
PERTAINING TO THE TEA 
INDUSTRY

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Evaluation of the Policies on Tea of the Government of India

Tea is an important item of trade in India and a major source of valuable foreign exchange. In employment generation also tea industry of India has played a vital role. India’s premium Darjeeling tea has been able to earn good fame in the world tea market for its premium quality. Thus tea industry has tremendous contribution in the economic development of India.

During colonial days tea industry of India has been given importance considering its export potential. After independence Indian government has also given considerable importance on the growth and development of the tea industry of India, considering its importance in the economic development of India. During each five year plans of India, several policies have been formulated and implemented for the development of the tea sector.

During the initial periods after independence the policies were directed towards preventing the existing British planters in India from using Indian tea gardens as only a source of profit and also to help the interested Indian entrepreneurs to procure and develop the tea gardens. As discussed in the previous chapter, during the pre independence period colonial government used to put their colonial interest over and above the interest of India. To earn high profit and reimburse high dividend to the colonial counterparts of Indian tea industry, were the sole motive of the colonial managers in India. The revenues which could otherwise have utilized for the growth and development of the tea industry of India have been transferred to the native countries resulting in continuous deterioration of the conditions of the tea industry of India during the colonial period. The agency system prevailed during the colonial rule were least interested in the development of the tea gardens of India. (Tharian, 1984) Realising the threat of foreign ownership of Indian tea gardens, the government of India, immediately after independence, tried to control the foreign owners, by replacing the policy of leisiez faire followed during the colonial period by policy of regulation and
control. Planning Commission was set up in 1950 by then Prime Minister Jawaharlal Nehru, followed by the commencement of the five year plans since 1951, for planned development of various sectors of India.

The government policies pertaining to tea since independence can be discussed as follows.

5.1 Government policies during 1948-50 and during the First Plan period (1951-56)

The various measures taken by the government of India in the post independence period started with the industrial policy formulated in 1948 which provided a clause for nationalization. The legislation of 1948 made companies with less than fifty one percent of their shares in public hands liable to pay Indian tax at individual rates, which were much higher than the corporate taxes. Government also imposed high rate of export tax to restrict export and lower the profits from export. Domestic consumption was tried to be increased by making home market relatively attractive. Higher participation of Indian private entrepreneur in the tea business was tried through several schemes. The result was, a number of British firms converted into public companies to retain the control of the new public companies with Indian participation. Some of the firms had been transferred to the Indians to avoid Independent government regulations, in which the British entrepreneur has small shares.

Some other major measures undertaken by the Indian government just after independence were, the statutory obligations to tea garden labourers started since 1942 has been restored permanently to safeguard the interest of the tea garden labourer, Central Tea Board was established in 1950, and the Tea Board of India was established in 1953. Tea Board was set up as a statutory body on 1st April, 1954 as per provision under Section (4) of Tea Act 1953, under the Department of Commerce, Government of India to act as an apex body to enforce the Government's regulations and policies formulated for the overall functioning of
the tea industry. Tea Board has wide functions and responsibilities which include measures for development of the tea plantation, extending financial and technical assistance to the tea growers, manufacturers and producers, export promotion and generic promotion in the domestic market, regulating and controlling different marketing activities including that of Tea Auctions, facilitating R & D activities, market liaison, assistance to labour welfare activities, maintenance of statistical data etc.

These changed political and economic policies of the government of India completely shook the complacent air of the British planters. The British private plantation entrepreneurs found themselves in a very difficult situation to pursue their own policy independent of government control and regulation. Ultimately, the British tea garden owners of India were compelled to explore other options for tea business in India.

5.2 Government policies during the Second Plan period (1956-61)

During the second plan period the problems of the tea industry was taken seriously by the government of India and accordingly, Plantation Inquiry Commission (PIC) was set up to advice on the problems of tea industry. The commission submitted its report to the government of India in 1956. The suggestions stated in the report includes,

1. Reduction in the cost of production
2. Breaking up of the concentration in the tea trade
3. Grant of financial assistance to tea industry
4. Emphasizing the need for extension, replacement and replanting in a phased manner
5. Improvement in transportation.
6. Promotion of tea exports. etc.

In 1957, Tea Distribution and Export Control Order (TDECR), 1957 was enacted to regulate the activities of exporters and distributors of tea through a
system of licensing. It also imposed some restrictions on the quality of tea to be observed by exporters and distributors.

In 1959, Tea Waste Order (TWCR), 1959 was passed to control and regulate buying, selling, stocking etc. of tea waste so that it may not reach the hands of the adulterators to be used by them for adulterating tea for human consumption.

To protect the interest of the tea planters of India and to discuss the common problems of Tea Planters of India, the Consultative Committee of Tea Producers' Association (CCPA) was formed in 1956. The members of the committee being the Indian Tea Association (ITA), United Planters' Association of Southern India (UPASI), Indian Tea Planters' Association, Assam Planters' Association, Bharatiya Cha Parishad, Surma Valley Indian Tea Planters' Association, Terai Indian Planters' Association and the Tripura Tea Association. The objectives of the Consultative Committee were to discuss the matters of tea production, taxation, labour welfare, tea promotion, exports, housing and to voice on behalf of the industry to inquiries from statutory and semi- statutory bodies. The perception with which the Consultative Committee was formed was the greatest good for the greatest number. The perception of the committee had been appreciated by the Union government and from then onwards; Union government has been consulting it prior to arriving at major policy decisions concerning the plantation industry.

Thus an organized effort has been initiated from both the government’s side and the tea producer’s side since the second five year plan to boost the development of the tea sector of the country.

5.3 Government policies during the Third Plan period (1961-66)

During the third plan period there was political disturbances in India due to Chinese aggression in 1962 and conflict between India and Pakistan in 1965. Consequently, the transport services in India got disrupted. There was oversupply situation in the Indian tea market, which adversely affected the tea prices. But with the establishment of two auction centers, one at Coonoor in 1963 and other at Amritsar in 1964, the problem of oversupply had been lessen to a large extent. It'
also helped in countering the problem of transportation as from then onwards, the teas of south India and north India could be disposed without traversing a long distance. It also helped in reduction of time and cost.

Thus during the third plan period, the tea traders of south as well as the north India were encouraged to enhance their marketing potential to take the advantage of the new auction centers.

5.4 Government policies during the Annual plan period (1966-69)

During the annual plan period, Indian tea industry had to face two major problems. On the one hand the international tea prices showed a downward trend and on the other, there prevailed an overall inflationary situation in the domestic market of India. Consequence was, cost of production was increasing but due to lower international price of tea the cost of production could not be covered by tea prices. However when the government of India devalued its rupee against dollar in 1966, the price in the auction market of India started improving. This had twin effect. On the one hand the sale proceeds of Indian tea producers increased. On the other hand the profit of the British tea companies diminished which put pressure on the companies in continuing plantation business in India.

Another measure taken by the Indian government during the annual plan period was, a duty of Rs. 2.00 per kg was imposed on export of tea from 1966 by the Indian government. This had adversely affected the Indian exporter. Realising the stress, from November 1966 the export duty has been reduced.

Thus during the annual plan periods the positive development in the tea industry of India was, the mounting pressure on the British tea garden owners of India to reconsider the continuation of their tea business in India.

5.5 Government policies during the fourth plan period (1969-74)

During the fourth plan period two major reforms took place in the tea economy of India. In 1970 the ruling Indian government abolished the system of Managing Agency houses which were very active during the colonial period. As a result, from 1970 onwards, there was transfer of the British Agency Houses into local
hands. British firms started withdrawal from the Indian plantation to other part of the world considering the congenial atmosphere. Another was the introduction of FERA (Foreign Exchange Regulation Act) in 1973. FERA required foreign companies to Indianise (i.e., gradually induct Indians to manage the company) their shareholdings to the extent of twenty six percent with foreign participation restricted to seventy four percent. Accordingly there was increase in the issue of share capital to the Indian subscriber. Thus the government policies during the fourth plan period compelled the British tea garden owners in India to transfer the ownership to the Indian entrepreneur. (Tharian, 1984) Accordingly the opportunities for the Indian entrepreneur were opened to develop the gardens for the economic development of India.

5.6 Government policies during the fifth plan period (1974-79)
The major developments during the fifth plan period were,
1. Setting up of Indian Tea Industry Development Association in 1974 with a seed capital of Rs. 25 lakh acquired by way of voluntary subscription.
2. Opening of new tea auction centre at Siliguri in 1976, which helped the producers in the locality in reducing the cost of marketing and also saving time.
3. A Committee was formed in 1978, under the chairmanship of Mr. Prakash Tandon, the Director General of National Council of Applied Economic Research, Govt. of India, during that period, to examine the auction system in India. The committee in its report made numerous valuable suggestions for marketing of tea in India and abroad. The Committee for the first time suggested that India should not go for export only but also make efforts for import of tea to sustain India’s position in the world market.
4. A meeting was held on 18 February 1980, with the officials of Tea Board, State Trading Corporation, Tea Trading Corporation of India, Union Commerce Minister during that period, Mr Pranab Mukherjee, which stressed the need for increasing country’s export and requested the Tea Board to take steps to increase
production of tea so that there was a considerable surplus after meeting internal consumption needs.

5. A decision was taken for revival of the Darjeeling tea industry as it was potentially viable to produce 22 m kg of tea annually.

6. Government of India amended the import policy, governing import of tea bagging machine from February 1980 where import of tea bagging machine was allowed under ‘Open General Licence’.

With the policy measures adopted during the fifth plan period, there were major changes in the tea industry of India. Auction has been accepted as the most reliable mode of price discovery and disposal of Tea. Selling of tea in tea bags increased. With the reduced prospect of profit British tea owners of India finally made their exit from India.

5.7 Government policies during the Sixth Plan (1980-85)

During the Sixth Plan period, there was instability in the tea market of India. Tea prices in the domestic market were very high mainly due to withdrawal of the British tea garden owners from India. To arrest the high tea price, the Centre, banned export of CTC tea, in December, 1983, except for tea bags and/or packets and for tea bought and contracted before the order, under the Tea (Distribution & Export) Control Order. The ban was lifted on May 12, 1984, but re-imposed from September 3, 1984, and finally lifted in the mid-1985. The ban was strongly resented, not only by producers but also by importers. A minimum export price (MEP) scheme was brought into force in September 1984. This scheme was lifted in August 1985. But the policy measures of the government of India could not bring down the domestic prices. In fact, the prices further strengthened. To bring prices down prices to reasonable levels, the government passed two orders. The Tea Regulation and Export Licensing Order 1984 and The Tea (Marketing Control) Order 1984. Under the first order the tea purchased for exports outside auctions are required to be registered with the Tea Board within 11 days from the date of contract. Under the second order, 70 per cent of all teas were to be
statutorily sold through registered auction centers with effect from July 19, 1984. In 1985, the statutory minimum sale through registered auction centers was increased to 75 per cent. But the exports and tea sold in packets were, however, excluded for the purpose of computing the stipulated percentage for routing through public auctions.

Over and above there were some other policy measures implemented by the government of India during the plan period. Those were,

1. A National Level meet was held on 3rd August 1981 under the chairmanship of Mr P K Kaul, then Secretary, Ministry of Commerce, Govt. of India, and was also attended by the representatives of government of Assam, West Bengal, Tripura, Kerala, Tamil Nadu, Karnataka, Himachal Pradesh and the Association of Tea Producers including small tea growers. Discussions were held on the present and future prospects of the tea industry and recommendations were made for substantial reduction in excise duty rates on both bulk and packet tea, reduction in agricultural income tax rates, suspension of sales tax on auctions, full credit requirements at concessional rates of interest to the government of India, state governments and tea producers.

2. The RBI constituted a committee under the chairmanship of Mr K B Chore, chief officer, RBI in October 1980 to examine the problems relating to the financing of tea industry. The Committee recommended that the tea industry should try to fund at least equal to 25 percent of their deficit amount from their internal sources and thus try to sustain from its own funds and resources. Besides, the cash credit limit is to be fixed on the basis of the detailed monthly cash budget for the entire season. The Committee also recommended for prompt liquidation of past accumulated deficit. But the recommendations had been found to be averse to the working of tea industry and were strongly resented by the stakeholders of the tea industry. Dr Manmohan Singh, the then Governor of RBI was approached to redress.
3. Three main tea producing countries i.e. India, Sri Lanka and Kenya hold informal consultations at Geneva in an effort to sort out their differences on international tea agreement. In an effort to promote Indian tea, Mr. V P Singh, the then Union Commerce Minister, government of India, directed the Tea Board to gear up its export promotion efforts through suitable generic promotion measures, so that it can contribute a major share to the country’s foreign exchange earnings.

4. Initiative was taken by the stakeholders of the tea industry of India for carrying out R&D work at all levels of the tea production and trade. The main thrust areas selected for carrying out R&D work to boost output and sustain production were,

- Creation of central information services for tea industries for the world.
- Analysis of bio-chemistry of tea during and after its manufacture.
- Evolving suitable packaging technology.

5. The Consultative Committee of the Plantation Association initiated the Crash Programme for the year 1987, which encouraged the utilisation of internal resources for augmenting tea production in the short term.

6. In the 25th Annual General Meeting of Indian Tea Association held on November 1982, the government of India was urged to include tea under priority sector, to enable it to obtain financial facilities, as extended to other agricultural commodities.

The policies of the sixth plan have a very good impact on the tea industry of India. Production of tea increased by, 15 percent, from 569 mkgs. to 656 mkgs., domestic consumption increased by 20 percent, from 346 mkgs to 415 mkgs. Auction sale of tea has increased to more than 70 percent. Export has fallen marginally. But the export price of Indian tea increased. Research and development of tea got a major boost. The relationships of the tea producing and exporting countries improved.
5.8 Government policies during the Seventh Plan (1985-90)

During the Seventh plan period, the strategies adopted by the government of India includes,

1. Identification and bringing new areas under tea plantation and increasing the area of rejuvenation and infilling in all the tea growing areas of India.
2. Appointment of Venkatachalam Committee of Tea Auction, suggesting modification of stipulation of selling 70 percent of total production through auction.
3. Announcement of new marketing policy by Union Govt. regarding adequate supply of tea at reasonable prices for domestic market and maximization of export earnings from tea.
4. Launching of modernization and developmental programme for the tea related organizations.
5. Tea Scientists Meet from all over the World to study the impact of plant density & manuring in tea gardens.
7. Holding of Tea Finance Meet, formulation of a comprehensive credit plan to revitalise the ailing tea industry
8. Launching of export campaign for Darjeeling tea.
9. Establishment of permanent centre for development of plantation in south India.
10. Constitution of a Ramakrishnayya Committee to review the working of Tea Board, reconstitution of Tea Board.
12. Launching of Darjeeling logo.
13. Opening of mini auction centers by Tata.
14. Setting up of a committee on a long term strategy and plan for development of tea industry. The viability of cheaper packing material and bringing Orissa, Meghalaya, Arunachal Pradesh etc. in the tea map.
15. Improvement in the cultivation practices,
16. Initiatives for new planting, rejuvenation, pruning, replanting, infilling etc.,

xxii. Target had been fixed for attainment of 1100 m kg of tea in 2000, extension of planted area by another 53600 hectares, carrying out infilling of about 44600 hectares.

The policy measures adopted during the plan period resulted in some positive impacts on the Indian tea sector. Tea plantation area increased, by 0.5 percent, production increased by 3.1 percent, yield increased by 2.5 percent and internal consumption increased by 4.1 percent. But in the export front the outcome was not positive. There was a fall in the export volume by 0.5 percent and export value by 10.0 percent. (teaboard.gov.in, online: accessed during 2007-2011)

5.9 Government policies during Eighth Plan (1992-97)

During the eighth plan there was a major change in the Indian economy which had widespread repercussions on the tea economy of India. India adopted new economic policy in 1991 under which Indian economy was liberalized under the policy of globalization. With the signing of WTO agreement in 1995 the process of liberalization and globalization gained momentum. All the production units were forced to enter into competition with the global counterparts. Protection walls were lowered to facilitate foreign countries to access the market of India. The immediate repercussion on the tea economy of India was, imported tea from low cost countries like Indonesia, Vietnam, Kenya etc. started to enter India resulting in increased supply of tea in the domestic market of India, fall in the price of tea, fall in the profit level of the tea producers and thus a downward trend in the whole tea industry of India. Export market of India also underwent a major change due to disintegration of USSR, one of the major importers of Indian tea during 1990-91. Establishment of COMESA (Common Market for Eastern and Southern Africa) in 1994, under which the provision of allowing member countries to trade at zero percent tariff, also have reduced the import of the members of COMESA, from India.
Reacting to the political and economic changes, government of India formulated several policy measures, to confront the challenges befallen the tea sector of India.

During the Eighth plan, important government policies were,

1. The Ahuja committee which was formed under Sri S.S. Ahuja, then chairman of Tea Board of India, to study and advice on the existing rules of all the auction centers in India. The committee submitted its report in 1990. The committee provided several valuable suggestions on tea auction like, fixing auction day, cataloguing, prompt date, brokers commission, size of lots, division of lots, withdrawals of lot, sale of outlets, warehouse rent and insurance, closing of catalogues and distribution of samples. The suggestions have been considered very seriously and most of them are still followed.

2. The tea price monitoring committee set up in 1989 to monitor the price situation regularly during the eighth plan period and suggest necessary corrective steps to hold the price line and protect the domestic consumer’s interest.

3. National consumes cooperative federations (NCCF) formed for marketing of tea. The federation succeeded in marketing tea in economy packs.

4. In accordance with the decision of the ninth session of the inter governmental group on tea, of Food and Agriculture Organization of United Nations (FAO) in 1991, initiative have taken in India to prepare a project integrating tea promotion and human health aspect for promoting tea consumption.

5. Government of India fixed the quota allocation in respect of USSR for buying of CTC tea at Indian auction to regulate the domestic prices of CTC tea.

6. India had a bilateral trade agreement on rupee payment basis with five countries namely, USSR, Poland, Czechoslovakia, German Democratic Republic and Rumania in 1990. Accordingly India’s tea export to these countries increased.

7. Emphasis was laid on export of tea in diversified form like packet tea, tea bags and instant tea.
On account of the suitable policy measures of the government of India some positive developments have been observed in the tea sector of India during the eighth plan period. There was an annual average rate of growth, in the area under tea by 0.6 percent, in yield by 0.5 percent, in production by 1.1 percent, in export volume by 0.5 percent and in internal consumption by 2.3 percent. The export to Russian federation, Saudi Arabia and ARF have shown considerable improvement. The export of tea in value added form has also increased from India. (tea board.gov.in, online: accessed during 2007-11)

5.10 Government policies during the Ninth Plan (1997-2002)

During the ninth plan period, the challenges faced during the eighth plan continued. Due to lowering of tariff wall in accordance with the directives of WTO, import from low cost countries continued. Import into India increased by 850 percent, from 2.61 mkgs. in 1997 to 24.80 mkgs. in 2002. On the other hand export fell marginally. It was 203 mkgs in 1997 and 201 mkgs. in 2002. There was a fall in the export price as well. It was US $2.57 on 1998, fell to US $1.79 on 2002. Indian auction price also fell from Rs.66.89 to Rs. 55.96. (tea board.gov.in, online: accessed during 2007-11) Unable to balance the cost and price a total of 130 tea gardens were reportedly closed or abandoned between the years 1999-2006. (TBI, 2010) Thus the tea industry of India was in a state of crisis during the ninth plan period. To ameliorate the state of crisis the government of India had taken several measures.

The important government policies during the ninth plan period were,

1. To boost India’s export, efforts were made to increase the export of tea in bulk, value added teas, organic and flavoured teas.

2. To encourage the production of orthodox tea which has high demand in the world tea market, Tea Board launched a Crash Scheme for the up gradation of the tea factories for manufacturing of orthodox teas with effect from 1st December 2001. Financial assistance by way of subsidy to the extent of 50 percent of the cost in the case of Bought Leaf/ Co-operative tea factories and 25 percent in the case of
Estate Tea Factories was envisaged to be paid to such tea factories that come forward to undertake addition, modification, renovation, up gradation or replacement of machinery or execute electrical works.

3. The government also introduced new scheme for assisting tea exporters towards meeting the handling, packaging, transport/ freight charges and value –addition cost in order to increase the quantity of tea export from India. The Scheme had been operational for the period from 1st January 2002 to 31st March 2003.

4. Strategies were also formulated for diversification of the market portfolio by exploring the emerging markets. For this, improved tea promotional measures and improved service levels to the importers had been given importance.

5. Exporter rating system had also been launched to rate tea exporters on a range of service related parameters.

6. To compete effectively with global competitors aggressive cost reduction measures had been undertaken.

7. Tea quality improvement measures had also been undertaken with introduction of regular quality benchmarking exercise.

8. Emphasis had been laid on organizing training sessions and seminars among planting community for improving efficiency.

9. Tax rates had been revised to facilitate the trading of tea.

10. Schemes had also been formulated for implementing widespread replanting and rejuvenation in the tea planting areas.

Thus since ninth plan period a systematic and organized initiative had been started for the growth and development of the tea sector of India and the result of the effort had been seen in the steady growth in all the segments of the tea industry.
5.11 Government policies during the Tenth Plan (2002-2007)

During the tenth five year plan strategies undertaken by the government of India were,

1. TMCO 1984 had been replaced by the TMCO 2003. According to TMCO 2003 the sellers were permitted free sale through any channel.
2. Tea Board together with the Ministry of commerce organised a stakeholders conference on 16th and 17th September 2004 at New Delhi, which took stock of the recommendations on various issues affecting the Indian tea industry and submitted the same to the ministry of commerce for consideration.
3. Ministry of commerce formed a national tea advisory committee to look into the recommendations that emerged in the stake holders conference.
4. Tea board started a generic promotion campaign propagating the health aspect of tea.
5. Tea Board considered participating in the fairs and exhibitions within the country.
6. Excise Duty @Rs.1 per kg of tea falling under heading 09.2 had been abolished w.e.f.01.03.2003. Additional excise duty @Rs.1 per kg had been introduced for development purpose w.e.f.01-03-2003 which was subsequently withdrawn in 2005-06 budget.
7. 16 percent ad valorem tax imposed on instant tea falling usual heading of 2101.02.
8. Export duty withdrawn.
9. Rate of cess that had been enhanced w.e.f.01.04.1997 continued .It is 12 paise and 30 paise per kg for Darjeeling and non Darjeeling tea.
10. Suitable policy decisions were taken by the tea board with regard to operational aspects of the loan schemes.
11. The existing guidelines with regard to time of pruning in south India (April to October) under the board’s Rejuvenation Pruning and Consolidation Scheme were revised.
12. Approval was accorded to TRA for setting up a separate advisory cell to render extension services to small growers. The cell started functioning w.e.f. 01.04.2004. The cell had been advised to help the growers to set up Self Help Groups (SHGs).

13. The eligibility criteria for grant of subsidy to SHGs had been modified.

14. Approval for inclusion of soil testing laboratory of M/S Hindustan Bio Fertiliser and soil testing services as one of the approved laboratories for issuing soil suitability for the purpose of claiming subsidy was given.

15. Tea Quality up gradation and product diversification subsidy schemes from 01-09-2003 for extending financial support for modernization of tea factories through replacement of old and worn out machineries was launched.

16. Human Resource development Schemes were implemented to induct professionalisation in plantation management, improve labour productivity, skill improvement at all levels from workers to management through extensive training and carrying out plantation labour welfare measures.

17. Research and Development schemes were introduced focusing development needs of the small growers like extension of advisory services, setting up of nurseries for supply of good quality planting materials, organizing study tours etc.

18. In order to establish close interface with the small growers, Tea Board recommended for opening new field offices in N.E. States, viz-Arunachal, Nagaland, Meghalaya, Mizoram, Manipur, Dibrugarh and Jalpaiguri in a phased manner.

19. Commissioned price subsidy scheme was introduced.

20. Tea Board decided to maintain four tea bars/ buffers in parliament house, Yojana, Bhawan and Udyog Bhawan and North Block in New Delhi.

21. Price stabilization formula for small tea growers introduced. The Price Stabilization Fund Scheme (PSFS) had been introduced from 01-04-2003.

22. Revolving corpus of loan scheme introduced to enable tea board to continue its loan scheme without any fresh budgetary support from the government.
23. Special Purpose Tea fund (SPTF) scheme was notified by the government of India on 16-01-2007 and finally launched on 17-01-2007, to encourage tea garden owners to take up large scale uprooting and replanting of old tea bushes for improving production and productivity for competitive sustenance.

24. Status of closed and sick units was to be monitored regularly.

25. Focus had been directed on quality of tea on a sustained manner.

26. Decision had been taken in projecting tea as life beverage to youth and propagating health aspects of tea to young housewives.

27. A promotional support scheme for providing promotional assistance for various activities to exporters/associations introduced in 2001-02, to be implemented.

28. Medium term export strategy and targets are to be implemented (2002-2007)

29. Export rating system launched.

30. Decision was taken for setting up India tea portal for information dissemination system.

31. Market consolidation and diversification of export market portfolio had been proposed.

32. Decision had been taken for enhancement of participation in international fairs and exhibitions.

33. Orthodox tea production subsidy scheme was launched in 2005 which provides for extending subsidy @Rs.3/- per kg of orthodox leaf grade and @Rs.2/- per kg of orthodox dust grade tea.

The fallout of the policy measures adopted were,

Research on tea has been developed very significantly which helped in the scientific development of the tea industry. There was a major R&D breakthrough by Tocklai Experimental Station regarding shade arrangements, pruning cycle, infilling, weed control, tea process, manuring, pest control, high-yielding clones, hybrid seeds, genetic engineering, bio-fertilisers, mechanical aids in plucking, quality parameters etc. R&D breakthroughs has also been made at UPASI (United
Planters Association of South India) Tea Research Institute which includes, maintenance of plant nutrition of potassium and zinc, control of blister blight by specific fungicide, control of short-hole-borer etc. Efforts are on for developing routine hormone formulations and nursery grafting of fresh cuttings, bicolonal seed stock, partial mechanization of harvesting, leaf expansion concept in programming, plucking intervals, organic systematic fungicides etc. The use of ultra violet rays to improve processing quality is a major achievement. Soil management and organic cultivation of tea, tea and human health, value added items and product diversification in tea, packaging, eco-friendliness and other related areas and bio-technology in tea are new proposals undertaken for research in the Tenth Five Year Plan.

Due to all these research achievements, all the parameters of the tea industry started showing improvement from the end of the tenth five year plan period. Production increased from 838.47 mkgs. to 986.42 mkgs., export price increased from Rs.87.23 to Rs. 101.26, export value increased from Rs.1753.39 crores to Rs. 2392.91 crores and auction price increased from Rs.55.96 to Rs. 67.27. But there has been fall in the export volume from 201 mkgs to 178.75 mkgs. during the plan period.

Other achievements during the period are, development of Network programme for transfer of technology, computerisation and software development relating to tea, establishment of data collection and technology transfer units in each zone (7 centres in North East, 7 centres in South India and connection with base laboratories), establishment of four quality control laboratories in Tocklai, Dibrugarh, Cachar and Nagrakata in the north east India, upgradation of laboratories at Valparai, Coonoor, Vandiperiyar, Gudalur in South India etc. Proposals that were on the process of implementation were, (i) introduction of integrated nutrition management and computerised data simulation in each of the advisory centres and connecting base laboratories and development of related models, (ii) research project on irrigation and drainage, (iii) introduction of bio-
chemical analysis and quality upgradation programme in north east and south India and (iv) development of forecasting model for pest disease control including bio-control aspects etc. Quality improvement in tea has been achieved through training, modernization of factory, upgrading of plucking standard and improving sanitation and hygienic situations. ISO-9000 and HACCP as a package for quality improvement have been introduced. Cultivation aspects like pruning, shade management, organic nutrition in soil, soil amendment and application of weedicides and balanced application of fertilizers have been refined over the years to harvest increasing yield. Further, Irrigation, drainage technologies in tea has been improved and their requirement in improving yields has been established. Protection of crops is linked to minimum application of pesticides and its linkage to follow Integrated Pest Management (IPM) practice. Research on health benefit aspects has yielded positive results. Improved packaging techniques have been adopted. Packaging of tea has been started with recently developed packaging materials like jute, laminated bags, multi-wall paper sacks and use of flexible packaging substances.

5.12 Government policies during the Eleventh Plan (2007-2012)

The developmental activities of the tea industry of India pursued during the period were in accordance with the approach paper for XI Plan Period as prepared by a Sub-Group constituted by the Planning Commission.

Strategies proposed in the approach paper for the XI Plan period are:

I. Improvement in productivity

With the steadily increasing world supply position, the main thrust/approach should be, on improving productivity of the existing gardens rather than establishing new plantations at huge investments, value addition and marketability. The actions to be taken in this respect involve:

1. Vertical development measures such as replanting/ rejuvenation pruning, infilling of vacancies with better varieties etc. & mechanization of operations.
2. Enhance the productivity of small gardens and spread of technological advances to smaller estates where potential for improvement is the greatest.

3. Special emphasis on irrigation and drainage, for combating the recurring drought and water logging.

II. Improvement in quality

In order to make Indian tea competitive in the world market, the main thrust should be on ‘quality’. To capture the growing niche markets and improving marketing capabilities, conversion to organic system of tea growing and production of other specialty tea are to be encouraged.

The action to be taken to adopt this strategy would involve:

1. Modernization of the existing factories to ensure production of clean tea without any trace of foreign material in the end product.

2. Encourage Product diversification and creation of facilities for dual manufacture of tea (orthodox and CTC)

3. Ensure adherence to the prescribed international and domestic SPS (Sanitary and Phyto-sanitary) standards for tea.

III. Boosting internal market

A strong and vibrant internal market is necessary to create the required synergies for expanding export market. Hence an intensive generic promotion campaign needs to be taken up within the country so as to increase the per capita consumption and to arrest the declining trend in the domestic demand.

IV. Human resource development

The competitive advantage of tea industry depends primarily on the quality of people. Therefore, HRD inputs are crucial to the future developments of the tea industry. Considering the amount of employment generated by the tea industry, it would be worthwhile to consider providing some relief under the plan schemes at improving the health and welfare of the plantation workers and small growers. The assistance to be provided may be in the nature of complimenting but not replacing the statutory provisions of Plantation Labour Act.
V. Improvement in information technology

Information technology should be given due emphasis during the plan period for making available ready information to the tea industry. The Geographic Information Systems (GIS) should be explored in collaboration with ISRO for creating a geo-data base covering all aspects of tea plantations.

VI Emphasis on technological and industrial research

Emphasis has also been laid on the technological and industrial research to reduce the disparity between the energy consumed by the processing machinery and their output.

To give effect to the above strategies, it has been suggested to pursue the following activities during the XI Plan period through the plan schemes of the Tea Board:

1. **Enhancement of tea production** through various development measures such as replantation, rejuvenation pruning and infilling of vacancies with improved planting materials. Besides regular subsidy for these activities as administered during the X Plan period, an additional support by way of long term loan will be provided under the Special Purpose Tea Fund (SPTF) which was set up during the last quarter of X Plan period.

2. **Enhancement of productivity of small tea holdings** and the quality of tea produced in the Bought leaf factories through encouraging small growers to organize themselves in to Self Help Groups/producer societies and establishing a direct linkage with the tea factories.

3. Special emphasis on **Irrigation and drainage** for combating the drought and water logging conditions.

4. **Modernization of tea processing** factories to ensure production of quality and value added tea suitable for domestic and export market.

5. **Market Promotional activities** both on domestic and export front.

6. **Special assistance for export of value added and specialty tea** such as orthodox tea, green tea, etc.
7. **Setting up of an IT Portal** on tea for dissemination of information to all segments of the industry and trade and also creating a platform for electronic trading of tea.

8. **HRD programme** for supplementing the welfare measures for the plantation workers particularly in the areas of health and hygiene, education support for the wards of the workers and training needs of the people associated with tea cultivation, processing and marketing.

9. **Implementation of ISO and HACCP** (Hazard Analysis & Critical Control Points) and food quality standards as a part of quality assurance programme.

10. Efforts should be made to persuade producers to increase production of exportable quality good tea of orthodox variety.

   Over and above, in the auction market, to safeguard the interests of the sellers, a system of buyers depositing caution money is also being contemplated. The measures are also expected to get rid of unethical practices such as misuse of the samples that the sellers offer to the buyers, and the sharing and fragmentation of lots. The main idea is to ease out non-serious buyers from the auction centers. Measures are also being considered to resolve issues such as non-payment of dues by sellers to warehouses.

   In an effort to maintain the average quality and retain the brand equity of Indian tea, the certification procedure had been mooted, industry sources said. Once the certification procedure comes into effect, all sorts of tea, either for export or those imported into the country, would have to follow the PFA (Prevention of Food Adulteration) norms. The Tea Board would be the nodal agency of the certification exercise.

   Financial assistance for the above activities are extended by the government of India by way of long term loan, subsidy and grant in aid under the Plan schemes.
The approach during the XI Plan period, is on balancing the production for meeting the domestic demand in full and retaining India's current share in the global market.

The Reserve Bank of India has also set up a working group to look into the problems of the tea industry. Its recommendation for relief include: lowering of interest rates, conversion of seasonal deficits into term loans, rescheduling the repayment of existing term loans, and extension of time to liquidate working capital dues of the previous seasons. The working group is of the opinion that a lower interest rate can make tea companies competitive.

During the years completed of the eleventh plan period up to 2010, there has been some remarkable improvement in the tea sector of India. Production increased from 986.42 mkgs in 2007 to 991.18 mkgs in 2009-10. Export of tea has increased from 178.75 mkgs in 2007 to 213.43 mkgs in 2009-2010. Export unit price has also increased from Rs.101.26 in 2007 to Rs.142.37 in 2009-2010. Domestic consumption of India has also increased to 819 mkgs in 2009 from 785 mkgs in 2007. (TBI, 2010) Under SPTF scheme, in the very first year of introduction of the scheme in 2007 the growth rate of area development has been 62 percent from the previous 25 years average. E-auction has also been operating successfully in six auction centers of India viz. Kolkata, Guwahati, Siliguri, Coonoor, Coimbatore and Cochin. For projecting the quality image of Indian tea and supporting trade activities, Tea Board’s modernised and re-oriented Tea Centre-cum-Trade Information Centre at Mumbai continued to show good results. The Board’s export promotion work carried out from Head Office and through its foreign offices located at London, Moscow, & Dubai are also doing well. Due to improvement in the tea market scenario, out of the total 130 closed and abandoned tea garden of India up to 2006, 126 gardens have so far been reopened leaving only fourteen to be opened till 31st March 2010.
Thus it can be concluded that government of India has taken significant interest in the growth and development of the tea industry of India. On account of the policy measures adopted by the government during the plan periods, tea industry of India has been able to withstand various challenges confronted during the last two decades. With adoption of more and more appropriate measures with in-depth research there is no doubt, India will be able to regain the past glory.