

CHAPTER VIII

SUMMARY CONCLUSION AND SUGGESTIONS

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The present study has been primarily undertaken to take account of progress and development made in the tea industry in Himachal Pradesh. Notwithstanding the past achievement and performance, the present state of affairs of tea industry reflect very dismal picture in comparison to other tea growing states in the country.

Chapter I makes a detailed analysis of Tea Industry with reference to Tea Industry in World, in India and in Himachal Pradesh in particular. It throws a light on area, production, yield, consumption and export of tea in the world tea trade. It seems that though India still commands a top position in the World tea Industry in respect of area and production of tea, but its position has gone down with respect to international tea trade, mainly because of emergence of some new tea producing countries like Kenya, Malawi and Africa, who have been able to capture some of the market on international scene, which otherwise used to be stronghold of Indian Tea. At national level it is recorded that some new non traditional tea growing areas have been brought under tea cultivation, which

includes, Orrisa Nagaland, Manipur and Arunachal Pradesh where tea cultivation has proved to be success. In regard to Himachal Pradesh, it is found that tea industry is in state of neglect in comparison to other tea growing areas in the country. The current status of industry shows that area under cultivation has decreased, production in the gardens have decreased and result in general has been loss of interest among the tea growers, which is leading to sustained tendency towards diversion of land for purposes other than tea.

Chapter II reviews the literature on tea with respect to tea industry in world, in India and Himachal Pradesh. These studies and literature has been reviewed in two parts. Part A deals with the foreign studies, where as Part B deals with the Indian studies. It is observed that in Himachal Pradesh also some of the studies have been conducted, but these are not considered sufficient as to the growing needs to tea cultivation and tea industries in Himachal Pradesh.

In Chapter III the need, scope, objectives and Research design is discussed to undertake the present study. The need of the study is based on the fact that Himachal tea which at one time used to have very big market for its

green tea in international market has at present nearly lost that market, which can be explored again if efforts are made in right direction. There has been ample scope for development, viz, area production marketing of tea. The main objective of the study has been to analyze the trend in production, examine the prominent problems confronting tea growers of the area and marketing of tea. To conduct the study in meaning full way the division of the planters is done into three categories, viz, small, medium and large planters and their number is taken on the basis of random sampling technique to study their problems. The technique of trend analysis of time series is used to study the production, sale and price trend where as ratio analysis. comparative balance sheet technique is used to study the financial position of Co-operative tea factories in the region, through which production of tea is mainly standardised.

Chapter IV makes the complete analysis of the tea industry with respect to production of tea. The chapter is divided into two parts. First Part analyse the production at garden level, in which the comparison of tea industry in Himachal Pradesh is made with other tea growing area with regard to area under tea cultivation, status of tea bushes, extent of extension replacement and replanting and productive yield of tea which shows

that the efforts made in Himachal Pradesh with regard to these essential inputs factors are lacking. The second part of the chapter studies the production at factory level in which the production of tea at factory level is summarised. The production at present is carried out through four Co-operative Tea Factories at Palampur, Baijnath, Bir and Dharamshala. But due to the lack of availability of complete data for Dharamshala, the study is mainly based on the data made available by Co-operative tea factories at Palampur, Baijnath and Bir. It has been recorded that productivity and performance of these Co-operative tea factories has not been efficient due to factors both within in perview of management and external factors. These factories are not able to utilize their capacity to full, due to poor supply or non supply of raw material to these factories. The chapter throws a light on the predominant role played by the Council for Scientific and Industrial Research in boosting up the tea cultivation in the area through setting up the Technology Demonstration Plots (TDP's) and imparting transfer of technology to the planters.

Chapter V deals with the role of Co-operative tea factories in the tea Industry of Himachal Pradesh. The chapter exclusively deal with performance of Co-operative

tea factories in terms of its financial aspect. First part of chapter deals with the method of production followed in these factories for the manufacturing of tea. The second part deals with the trading efficiency of the factories, which reflects a grim picture in terms of its profitability. It is found that due to increased cost of production on one hand and poor sale turnovers, these factories are not able to cover up their costs and ultimately going into heavy losses. The high interest burden on the long terms loans have bereft these factories of any reserves. Third part of the chapter deals with the financial base of these factories in terms of its Assest and liabilities, which reflect that short term as well as long term solvency of these factories is unfavourable.

Chapter VI deals with the marketing aspect of tea in world market, domestic market and Himachal Pradesh. The study reveals the decreasing share of Indian tea in the international market with decreasing exports earnings. The domestic consumption which is rising rapidly does not commensurate with the increase in Production. There has been shift in the trend of sale of tea from auctions to that of the value added tea, which is becoming more popular among the consumers. The sale of tea produced in Himachal Pradesh has market in Amritsar Auction for green tea and Calcutta auction for black tea. The analysis shows that there has

been inverse relationship between the sale and Price realised for tea per kgs, which is due to poor quality of tea, for which there are very few buyers.

The forgoing discussions and the analysis of facts show that main economic problems of tea industry in Himachal Pradesh relates to uneconomic gardens low production and productivity of tea, poor quality of tea, lack of initiative on the part of planters to take up development activities, Increasing cost of Production at gardens level and factory level, finances of the industry and one but not the least marketing of tea.

The feasibility and viability of tea Industry largely depends upon the area under tea cultivation. The study reveals that the area under tea cultivation in Himachal Pradesh has remained stagnant during the last 10 years i.e., (1985 - 86 to 1994 - 95). Though there seems to be very little efforts for increasing area under tea cultivation, the productivity of the existing gardens has been very low, due to uneconomic age of the tea bushes which has been more than century old.

Productive yield of the gardens cannot be increased unless the proper scientific process of regeneration, replanting and replacement of the tea bushes is taken up, which under the present circumstances

entail heavy expenditure. The tea planters of the area whose large population is of small tea planters are unable to take up heavy investment activities due to low economic returns for their products.

The total production of tea and quality of tea can be easily improved if the average yield per hectare is improved. It is only possible if necessary steps are taken for doing so. Purposeful and effective utilization of all available land with the planters within a specific time span should form the thrust for increasing the yield of tea.

In the process of physical survey of the gardens it has been found that a large section of estates in the area are of small holdings, which have been potentially viable but are inadequately managed due to low financial strength, management competence and limited resources. These gardens are fairly low yielding and produce average quality of tea and have become heavily indebted over the years due to lower price realisation and high cost of production. These factors have reduced the credit worthiness of these estates. This segment of industry is in possession of unused land, unexploited assets, which are potentially viable for verticle growth. In view of the varied problems of small tea growers the development programme will have to be chalked out keeping in view the problems faced by the small tea growers.

The prime reason for low and pathetic yields in the gardens has been the dominance of old bushes. Notwithstanding the most encouraging results achieved from the efforts made by Council for Scientific and Industrial Research in improving the economic viability of certain gardens, efforts are very slow in this regard from planters side. Lack of funds and non availability at the right time has been cited as a major constraint towards embarking upon regular programme towards replanting of old bushes. It is certain that for undertaking regular programmes of replanting the subsidy alone would be insufficient, which may not induce the planters to take up the replanting activities whole heartedly. The report of the National Committee on long term strategy and plan for tea in its report in 1989, stress the need for incentivised schemes, which should specifically aimed at continous generation of funds, with in for systematic replacement of uneconomic garden. The self financing scheme proposed by Plantation Inquiry Commission set up in 1956, which suggested 'TEA REPLANTING FUND' under which the planters should come forward and lay aside every year a certain sum of money for the purpose of financing programme of replanting the commission suggested that this fund should be operated under the aegis of Tea Board of India. The amount paid in by each garden should be held in the fund by Tea Board to the credit of concerned planter. Tea gardens contributing to the

Replanting fund should be allowed to withdraw from the fund such amounts as may be necessary for the purpose of replanting, according to the programme approved by the Tea Board. It is suggested in the scheme that withdrawal should not be allowed for any other purposes and if gardens changes hands by sale or otherwise, the amount to their credit in the replanting fund should pass to the new comer along with the garden. To ensure that all the gardens are brought with in the scheme it will be necessary that scheme should be backed by law. In the context of Himachal Pradesh where large number of planters form part of small category, scheme should be framed to enable special treatment to the small and weak units. It was proposed that expenses or contribution made to such fund should be allowed as allowable expenses to the planter under Income tax provision. The establishment of the Council of Scientific and Industrial Research at Palampur has done a commendable job for the revival of the interest in tea growers in Kangra Valley, the Research Institution and Himachal Pradesh Krishi Viswa Vidyalaya are considered to be resourceful hands for the planters in the area. They can be helpful to the planters in providing the desired sufficient planting variety.

The total yield and its quality of the tea can also be improved to some extent by selecting better quality

of seeds and clone . Clones as reported is latest experiment for tea gardens. It has gained much popularity in Cyclon and has yielded better results. The experts predict about 50 percent to 75 percent improvement in total yield under clone plantation. Besides quantity the quality of tea can also be improved. The Council of Scientific and Industrial Research can play an important role in developing new variety of clones as done by Tocklai Research station in Assam. The planters will have to be given assurance for guaranting remunerative returns and economic stability to brought back their confidence in the tea cultivation.

Cost of production of cultivating tea at garden level has been steadily rising, which does not commensurate with the production. The costs have shown upward trend partly because of the rise in the cost of input factors like cost of fertilizers, fungicides, insecticide, weedicides and other inputs, which the planters are unable to bear. Only way to contain the cost seems to be improved higher unit price and increase in production through better pest and disease control, improved agricultural methods. Another factor which is important for the crop maximization in the future would be the Scientific and effective management of labour component of production operation. It has been recorded that the labour at the garden level employed by the

planters for the plucking activities is on contractual basis, which are not properly trained for taking up the garden activities, which result in the poor quality of the tea leaves. It is urgently required that training of recruited labour should be given the importance in every estate. There should be interactions with the workers and continuous education of the workers. Since the worker performance both at garden level and factory level depend upon the effective supervision, training of the supervisory staff should be stressed, other wise best results can not obtained from this segment. Increase in productivity of the labour should be properly recorded and more rewarding techniques by the planters should be framed for the efficient workers.

To improve the qualitative standard of the planters the scheme of things must be framed for augmenting the status of the planter in respect of area under tea cultivation and production. In this regard it is important that the State Government must come forward and take some effective measures in close liason with Tea Board of India in improving the pathetic condition of the small farmers. A separate cell for financing small growers development may be setup under the aegis of Tea Board of India to identify the problems of the planters in tea cultivation and should be provided the assistance both

in physical and monetary terms.

Due to low level of activity at the garden level the production capacity of the cooperative tea factories which are main processing units for the tea in the region has also suffered. Though the tea leaves for the processing are supplied to co-operative tea factories at Bir, Baijnath, Dharamsala and Palampur by both members and non members, but the quality of tea leaves supplied is so poor which results in the poor quality of tea. but in order to maintain the sufficient supply of the raw-material these factories need to have pay the planters the price for raw-material which does not commensurate with the quality of the leaves. Though there are few gardens which are supplying better quality of the leaves too, but the quality of leaves has not been uniform. As a result of which these processing units have now resorted to take the tea gardens on lease and maintaining at its own cost to process better quality of leaves. The resultant poor capacity utilization has affected the trading efficiency of these co-operative factories. It is evident from the financial reports of the co-operative tea factories that in most of the years under period of study the sales turnover of these co-operative factories has been lower than the cost of production. The cost of production of these co-operative tea factories is rising rapidly partly because of increase in the cost of inputs and partly because of low operational efficiency.

The cost of inputs like fuel, power are increasing rapidly but the production and sales are not increasing at the same rate, which is resulting the net losses to these factories. These factories have been established with heavy loans from the state governments and other agencies which entails heavy interest charges and with low returns the profits of these factories are paid in the payment of interest charges. There has been plans to convert these long term loans into capital, which in one way can help these factories to generate few internal resources to improve their technologies and other infrastructures. The growth of these factories has suffered due to lack of adequate resources. While the average cost of production has been rising the average price has been more or less stagnant leading to reason of profitability and poor generation of resources. The situation demands the generation of resources to take up development expenditure which can be done by improving sale standards and cutting down unwarranted costs. Another area which require attention is the taxation. Resources constraints get increased with increased burden of taxation, to curb the increasing tax burden a scheme should be worked out in which the planters and processing units should under take to divert certain portion of their profit towards the development fund which can be claimed as deduction under the income tax laws. In view of the rising cost trends, the rate of subsidy should

also be increased. The tea industry which in a way form a sick sector of industry and are in no position to provide finance and carry out the burden of interest, it is important that it should be provided with fiscal reliefs.

Marketing of the tea is another important area which has not received the enough attention. Still tea produced in the area is sold through the old system of auctions, which is resultant factor for increase in the cost of production. It is evident from the statistical analysis that though sale in quantity has been showing an increase but the price realised for tea has been more or less stagnant. The achievement of long run remunerative prices along with lower tax incidence is essential for building confidence in the planters but long run remunerative prices can be only brought through a thorough overhauling of present marketing system, where by producers will have to change the present method of selling bulk and attempt to reach final consumer directly. However which require heavy marketing expenditure which can not be taken up, unless more funds are available through increased profit. But profitability can not increase unless more remunerative prices are obtained through direct contact between the consumer and the producer. The only channel to have direct link between the producer and seller is the sale of packed tea.

So in nut shell we can say that to improve the productivity in the state gardens the replanting would appear to be necessary to prevent the industry from being vanished. Replanting activities though are not only required for maintenance of the gardens, efforts should be made to replant better variety of planting material.

As the need to maintain estates in the state of continued efficiency is paramount, to take that programme in effective manner, in reference of national committee report on long term strategy and plan for tea, it was recommended that in case of sale of tea garden the approval of Tea Board should be made mandatory which should arrange to make the assessment of the age of tea bushes in different blocks of gardens and the amount of money required to finance the replanting of the existing bushes as and when they become due for replanting on the basis of 60 years of economic life. A fixed percentage of total bush population should be put to replanting, replacement activities every year. The efforts should be made to reduce the cost of production by increasing the productivity at garden level and factory level. A well planned and regular study of the cost data is necessary for keeping the units informed about its economic efficiency and competitive position.

The profitability of the factories is continuously declining and the factories are not in a position to retain

sufficient surplus to plough back. In this regard it is urgent that Tea Board should have a Plantation Finance Corporation, which should keep a close watch on the financial needs of the planters and Factories. In improving the financial position of the factories the manufacturing subsidy should be increased. The development allowance should be introduced, agricultural tax to be modified and rationalized by proper co-ordination between states and centre.

Inspite of the fact that the several studies and investigations having been undertaken, not much intengible results are in evidence, but potential of boosting tea industry still remains enormous.

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