Chapter VI

SUMMARY OF FINDINGS AND RECOMMENDATIONS

6.1 Major findings of the study

6.1.1 Historical aspects

Historically tea plantation industry played an important role in the colonial activities of the Western Countries. It has become one of the powerful commodities having commercial value. Indeed, the prime objective of colonisation was to cultivate tea. This was particularly so in the case of India under the colonial period of the British. In India tea plantations are concentrated in South India and North East India and these plantations were developed during the British period. After independence, the interest of the British went to African countries and the Indian plantations began to suffer. Until 1886 China had been the largest producer of tea in the World. Since then India has been the largest producer in the world. Tea plantation industry is a synthesis of agriculture and industry. Most of the small planters cannot afford a factory in their estates. Thus, tea plantation industry is subjected to large economies of scale. As a result, historically, tea plantation industry is relatively a big business.

6.1.2 Growth performance of Kerala tea

1. The performance of the Indian tea plantation industry is not impressive with an average annual percentage output growth of 2.43 per annum during the period 1950 to 2000. The estimated growth rates for Kerala,
Karnataka and Tamil Nadu, were 1.85, 3.48 and 3.41 per cent per annum respectively. Thus among the three states, Kerala stood third in growth performance.

2. An examination of the movement of the variables, area, output and yield showed a structural break around the year 1977. Therefore separate growth rates for the two periods – 1950 to 1977 (Period I) and 1977 to 2000 (Period II) were estimated, employing a kinked exponential model. The period-wise estimates show that there is a significant decline in the rate of growth of tea plantation industry during the second period compared to the first period. This trend is applicable to the estimates for the national level and for the state level, including Kerala. This may, perhaps, be due to the early impact of trade liberalisation which had influenced the already internationally integrated market of tea.

3. For understanding the factors behind the changes in growth rates, the output growth has been decomposed into area effect and yield effect. It is found that, at the national level, 66 per cent of the output growth is accounted by increase in productivity. It is interesting to note that the area effect is negative for Kerala. This shows that whatever output growth has been achieved by Kerala is primarily due to increase in the level of productivity. In the case of Karnataka and Tamil Nadu both yield effect and area effect contributed to the output growth. The period-wise estimates bring out the fact that Karnataka maintained its output growth during the first period by high growth rate in yield.
while in the second period, they concentrated extensive cultivation. As against this, Tamil Nadu extended its area under tea during the first period while improving the productivity during the second period. As observed earlier, in the case of Kerala, yield effect was predominant during both the periods. Thus, each of the three neighbouring state has a unique pattern of growth. The least impressive performance has been that of Kerala. The point of emphasis becomes more explicit when one compares the absolute levels of yield in Kerala in 1950 and in 2000 with the neighbouring states. Kerala, which stood first in productivity compared to Tamil Nadu and Karnataka, with 679 kg. per hectare, in 1950, lost its position to second with an yield level of 1887 kg. per hectare compared to Karnataka (2596 kg. per hectare) and Tamil Nadu (1745 kg per hectare), in 2000. This trend has been observed in the context of a continuous decline in area under tea in Kerala. Thus, going by area the growth performance of Kerala is not commendable.

6.1.3 Findings from primary survey

In order to study the problems of tea plantation industry in Kerala, primary data were collected from selected units of the large tea companies. Usually a company has many estates. Information was collected both from managers and employees.

1. Two varieties of tea plants are found in estates, China tea and Assam tea. The estates under the study are not found to have been introducing new high yielding varieties and this tendency has adversely affected the
productivity. Productivity level is also affected owing to the over aged plants. On an average, the plants in estates under study, are more than 80 years of age. It may be noted that the productivity of tea begins to decline after 30 years of age. Replanting is required for rejuvenating productivity, but none of the estates are found to have been properly engaged in replanting. Thus, the estates are operating at sub-optimal level of productivity.

2. Tea plantation industry is labour intensive. Plucking or harvesting tea leaves is the most important work. In majority of the companies hand plucking is the normal method of harvesting. Quality of raw leaves is high when harvested by hand plucking. But in peak season, due to paucity of labour, most of the companies adopt mechanical harvesting. Hand held manual shears and hand held motorised shears are used for plucking of leaves. Normally, the plucking interval for hand plucking is 7 to 10 days and for shearing, 12 to 16 days. Plucking interval varies due to climatic conditions.

3. All the visited factories are producing only Black tea. There are two types of Black tea – Orthodox and CTC (crush, tear and curl) tea. Out of the thirteen estate factories studied only one factory manufacture Orthodox and CTC tea, ten factories manufacture CTC tea and two factories manufacture Orthodox tea.

4. The factories are established years ago and no technological improvement is effected. The factories are found to be reluctant in diversifying their product range and in venturing into direct marketing. One of the major
reasons for this is absence of professional management. Units that are professionally managed practice product diversification and direct marketing.

5. Primary marketing of tea is mainly done by auction. Seventy seven per cent of the total tea produced in Kerala is coming for auction. Most of the companies are marketing their product through auction. Other primary marketing methods are direct export or forward contract and Ex-garden sale. Besides this companies are also producing and marketing packet teas.

6. (a) The tea companies are facing a crisis. The major problem is high cost of production and low price realisation. The cost of production of tea per kg. is Rs.60/-. Sixty five per cent of the total cost of production is accounted for by labour. In Kerala labour unions are very strong and their influence is visible in the case of wage increase. At the same time auction price is decreasing and it is around Rs. 51 to Rs. 52 per kg. Many tea producers highlighted that they do not get the original price for their product.

(b) Free import of tea also causes problems both in the domestic and international markets. Import of low quality tea has resulted in slashing of price in the market. Cheaper tea has become available in the market and traders mix low quality tea with high quality ones. This reduces the price and demand of Indian tea. The disintegration of the former Soviet Union which accounted for more than half of the total exports of India caused serious problems in our tea exports and it has very much affected Kerala tea because Soviet Union used to be the major market for Kerala tea.
The companies highlighted that the higher tax rate is a major problem for cost increase. According to the companies, tax concession from the part of Government is necessary. Restrictions on import and strict quality control measures will help the industry by reducing the import of cheap tea. They realize the fact that increasing productivity is required for improving the competitiveness. But huge capital investment is required for replantation and mechanization. Since the companies have been running at a loss quite for some time they are not in a position to make only capital investment. In this context, the companies are expecting subsidies for replantation, in-filling etc. Besides this, companies demand government's help to develop more infrastructural facilities in tea plantation areas. Expenditure on transportation and marketing is also high.

7. The companies have been providing basic facilities to the employees like housing, water supply, sanitation, health, education, etc. The managers are of opinion that it is difficult to provide such facilities in future in the context of declining profitability. Many companies are not in a position even to pay the Provident Fund to the employees.

8. Both female and male are employed in tea plantation industry. There is no significant difference in the proportion of male and female employment between the Southern district of Idukki and the Northern district of Wayanad.
9. The age distribution of employees shows that majority of employees are in the age group of above 30 years. The proportion of employees above the age of 30 in Idukki is much higher than that of Wayanad. There exists association between age and the employment levels in the two areas (Idukki and Wayanad).

10. Salary is the main income of the employees. More than 75 per cent of the employees depend only on plantation job for their income. Since plantations are located in remote rural areas opportunities for engaging in other economic activities are very limited. Recently, due to the severe financial problems some of the companies are not able to pay the salary in time and due to this the employees are finding it very difficult to meet their day to day expenditure.

11. In tea plantations the minimum wage rate is fixed according to the Plantation Labour Act 1951. According to this Act, the present wage rate for field workers (including pluckers) is Rs. 77.26 per day. Standard output for pluckers is 16 kg. per day. In addition to it pluckers get productivity incentives, (for first 10 kg. 44 ps./kg., Second 10 kg., 47 ps./kg. and third 10 kg., 50 ps./kg.). The wage rate for factory workers is Rs. 79.26 per day for eight hours. Factory workers are paid double charge for overtime work. Male and female workers are getting equal wage.

12. All employees are found to be not satisfied with the present wage rate, which is not sufficient to meet their living expenditure. In plantation
life they have to purchase all items from outside sources. Main expenditure of
the employees is on food and 40 to 50 per cent of the salary is spent for the
same. Almost 80 per cent of the respondents have the opinion that since the
food items are very costly they are not able to meet other requirements in
sufficient manner. Though employees get medical and education (primary
education only) facility, many of the employees have additional expenditure for
the same. Other unavoidable expenditures are on electricity, kerosene,
firewood, and visit to other places like native place, holy places etc.

13. Fifty six per cent of the total respondents have borrowed money
from outside sources. Since the employees find it difficult to borrow money
from proper sources like banks co-operatives etc., they are borrowing either
from friends and relatives or from private banks with very high interest rate.

14. The socio-economic conditions of employees in tea plantations
are not satisfactory. Even though the provision for basic facilities such as
housing, drinking water, sanitation, recreation and travelling are mandatory, in
some of the tea plantations its implementation is not properly executed.

15. Ninety one per cent of the employees are living in company
quarters. It is observed that the inside facilities of the quarters are very limited.
They are one room quarter with varandha and kitchen.

16. All employees get medical facility either through company’s
own dispensary or hospital or by reimbursing the bill. Most of the estates have
primary education facility either provided by the company or by the
Government. But higher education and technical education facilities are not available.

17. It has been found that there exists association between the level of education of the employees in the two areas (Idukki and Wayanad). It may be noted that in both the districts majority of the employees are having level of education below 10th standard. However, the tea plantation employees in Idukki have relatively higher education than Wayanad.

18. According to the survey 19 per cent of the total respondents are having physical problems due to adverse climatic conditions. Though protective clothes are provided by the company, due to the financial problems many of them are not providing it in proper time. Field workers have to face attacks from snakes and leeches. Factory workers mainly face problems arising due to dust.

19. Since plantations are very vast and situated in remote areas conveyance is a major problem. Good roads are provided in all estates. But bus services, auto and taxi facilities are very limited and costly. Lack of communication facility is another problem. According to the employees, life in tea plantations is monotonous and some of them feel they have no opportunity to mingle with other people in different walks of life. Job opportunities other than plantation work are very limited.
20. Shopping facility is not available in the estate. So to purchase necessary items employees have to go out of the estate and it is costly and time consuming.

21. The workers are found to be not fully satisfied with their working conditions. The estate workers especially women are suffering from adverse working environment, such as long journey to work place, absence of resting places, latrine facilities, lack of drinking water, etc. Since the plantations are very vast they have to walk long distance to reach the work place.

22. Due to insufficient income in some of the families adolescents are forced to work in the field to support their families. For field work adolescent wage rate is Rs. 59.72 per day plus productivity incentive. To a certain extent this hinders their education.

6.2 Recommendations of the study

6.2.1 Analysis of growth performance shows that in Kerala growth in area is not commendable. But considering the importance of tea plantation industry and its contributions to the economy it is important to expand tea area by utilising the uncultivated fallow lands owned by tea companies which are suitable to cultivate tea. It is also important to promote the small growers by providing Government support to develop the area as well as productivity.

6.2.2 Productivity level of tea is affected by the existence of over aged plants. In order to increase the productivity level tea companies could take
proper measures for replantation of the over aged plants. Since tea industry is facing crisis and companies are not able to invest for replantation. So Governmental help is required for the same.

6.2.3 Most of the factories are using age old machineries. No technological improvements are taking place in this industry. It is very important to take proper measures by tea companies to introduce advanced technologies to improve quality of the manufactured tea. With this tea companies could make variety of products through research and development activities.

6.2.4 After the introduction of free import policy low quality tea from other countries are being imported and re-exported either directly or mixing up with the Indian tea with the Indian brand name. This reduces demand and price of Indian tea in foreign markets. Restrictions on import and implementation of strict quality control measures from the part of Government are required to reduce the import of cheap tea.

6.2.5 Since tea plantation industry is an agro-based industry it has to pay agricultural as well as industrial taxes which will increase the cost of production. Considering the situation of high cost of production and low price realisation faced by the industry Government could help the tea companies by reducing the tax burden.

6.2.6 Tea companies are providing basic facilities to the employees according to the Plantation Labour Act 1951. But now most of the companies are facing crisis and find difficult to provide it properly. In this regard Government could help the companies to develop more infrastructural facilities
in plantation area. Facilities like roads, health services, drinking water supply, transportation etc. may be properly provided to the employees by Local Self Government Institutions.

6.2.7 In most of the estates primary education facility is either provided by the company or by the Government, but higher and technical education facilities are not available. In this regard it is very important to make more education facilities by the companies and Government to improve the quality of life.

6.2.8 Employees are facing problems due to climate, dust in factory etc. Here Government may properly supervise the execution of proper security and environment protective measures by the companies.

6.2.9 Since it is costly and time consuming to the employees to purchase necessary items by going out of the estate, if commodities are made available to the employees at subsidised rates inside the estate it will be very convenient to them.

6.2.10 Since most of the field workers in tea plantations are women companies could provide them necessary facilities such as resting sheds, latrines, drinking water etc. in the plucking areas.

6.3 Conclusion

The tea plantation industry in Kerala has been encouraged for its contribution to economic growth, employment and foreign exchange earning. Theoretically, the contribution of cash crops to output growth can be explained
in terms of three propositions: 1) improved factor utilisation, both in the short run and in the long run, 2) short run investible surplus meeting the necessary condition for maximum long run growth, and 3) through linkage effects of production and consumption. In the case of tea plantation industry in Kerala, efficient factor utilisation is found only in the short run. Inefficiency in long term factor utilisation is evident from the existence of vintage technology, absence of product diversification and non-existence of professional management. For attaining long run growth, capital investments out of short run surplus have to be taken place. But the tea plantations in Kerala seem to have failed to plough back the short run profits for capital investments. The contribution of tea to the economic growth in Kerala is remarkable in terms of its backward and forward linkages.

At the macro level the tea plantation industry has been facing adverse impacts of globalisation and trade liberalisation. The price has declined sharply and the industry is facing a crisis. If there is any solution to this problem that is to improve the competitiveness of the industry - competitiveness in production of raw leaf and in manufacturing of tea. Productivity in plantations has to be increased by new plantation, replantation, new varieties, scientific harvesting, mechanised pruning etc. Productivity in manufacturing can be increased by improving quality, product diversification, technological advancement, etc. Companies have to adopt professional management system for making the units competitive. In the liberalised regime of world trade, paramount importance has to be given to the marketing of tea.

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In this aspect Government has a very important role in developing a system for strict quality control. Of course certain government support in the form of tax concessions, export promotion etc. may be helpful for rejuvenating the tea plantation industry.