CHAPTER 1: INTRODUCTION

1.1: The concept and origin of plantation

The word 'plantation' does not have a precise definition. Originally it described settlements of English colonists in overseas territories. From the 17th century onwards plantation came to be associated with particular agricultural products that were grown there on mass-scale. Later on plantation came to refer to the agricultural establishment producing crops for mass export. It was used to describe the agro economic system of large scale crop production for export and it brought together land, labour, capital and management from all over the world creating new opportunities for agricultural crop exports (Paul & Vanmuralf, 1987). Plantation agriculture is generally considered to be one of the means by which traditional economies get integrated into the modern world economy. Historically, plantation agriculture was an instrument of modernization as it served to open up undeveloped regions, created basic infrastructure like roads, electricity, communication etc and monetized primitive economies (Tharian & Tharakan, 1986). The major characteristics of plantations are as follows

(a) Plantations are located mainly in tropical and sub-tropical regions and generally grow specialized export-oriented crops that have originated from tropics.

(b) Scientific cultivation methods, mechanized production processes and high operational efficiency for which external inputs are generally used.

(c) Plantations also differ from other agricultural establishments in terms of their organization of labour and usually employ large number of hired workers who reside within the plantation.

The above characteristics are broad and general but not specific in nature. It is difficult to arrive at a definition of plantation that can be uniformly applied across all parts of the world. Under the terms of Plantations Convention 1958 (No 110) adopted at the 41st session of International Labour Conference held in the year 1958 described ‘plantation’ as any agricultural undertakings located in the tropical and sub-tropical regions that regularly
employs hired workers in the structure of a large scale commercial cultivation. Coffee, tea, sugarcane, rubber, bananas, cocoa, coconuts, groundnuts, cotton and tobacco, jute, citrus fruits, oil palms, cinchona etc were identified as principal plantation crops. As per that definition family-held or other small-scale agricultural undertakings that produce the same crop for local consumption and do not regularly employ hired workers are not classified as plantations.

In India, ‘plantation’ is defined as an organization that utilizes five hectare or more land and employs fifteen or more workers and devoted to the production of tea, coffee, rubber, cardamom and cinchona (Plantation Labour Act 1951). Compared to the ILO definition as mentioned above, this is a more specific and narrow definition. I will adopt this definition for my work.

1.2 Formation and background of tea plantations in India

Tea is one of India’s largest and oldest industries, dating to colonial era and progressively indigenized. Tea industry was the earliest commercial enterprise established by the private British capital during the nineteenth century. The beginning of tea cultivation in India from 1835 on a commercial scale arose when monopoly trade of the East India Company (EIC) ended in 1933. Prior to that EIC had a virtual monopoly of British overseas trade with China and India (Mukherjee, 1976). Although the EIC had earlier felt the necessity of developing tea plantations in India, they did not do so for a long time. Finally when they did turn to India they were guided by at least four major factors. First, strained relation between China and Britain over the opium trade made the latter to look for alternatives (Chakraborthy, 1997). Second, substantial increase in demand for tea within Britain (Buchanan, 1966). Third, discovery of indigenous tea plants in Assam (Griffith, 1967). Fourth, relatively lower price of land and labour in India (Jain, 1983). All these made it convenient for both governments in United Kingdom and the British India to establish tea industry in India.

EIC made efforts to develop tea industry in India, where, the conditions were found to be conducive for its cultivation and manufacture. In 1838, the first Indian consignment of 488 pound of tea was sent to the UK (Govt. of India, 1908). The number of estates and land
under cultivation began to increase only after 1854, when the restrictions on leasing out of land to European planters were relaxed by the promulgation of The Waste Land Rules of 1854 by the Government of India. Subsequently, many big sterling and rupee companies got attracted to tea and during the following five years the tea industry in India made a steady progress (Campbell, 1874). The successful working of these companies together with active support of the ruling class led to increasing speculative investment in tea and subsequently rapid expansion in its cultivation during 1863 to 1865. A sort of depression followed during 1865-75 (Money, 1874). Thereafter, the industry experienced a period of steady growth and those companies, which gave necessary regard to cultivation and management of estates, made handsome profits. By 1880s, the practice of drinking Indian black tea was firmly established in the UK and by producing better quality with a relatively low price India displaced Chinese black tea and became a leading tea producer and exporter in the world market (Bold, 1965).

Along with this impressive expansion and growth of the tea industry, there emerged a specific plantation structure. Certain features of such a structure can easily be identified. First, the major part of commercial organization of the industry was dominated by joint stock companies under the monopolistic control of a few Calcutta based managing agency houses. By the end of the nineteenth century the tea planters had become highly organized and the monopolistic control remained operative till forties with as much as 89 per cent of area under tea cultivation in the Assam Valley was still managed by the Calcutta managing agency houses in 1942 (Mukherjee, 1976). Second, the organization of production in tea industry was predominantly based on the mobilization of large unskilled labour force through non-market mechanism, low wages, extra-legal methods of control and large-scale production through labour-intensive and low-skill methods. Thus, given the nature of plantation production and the Indian agrarian conditions, a peculiar mix of capitalist enterprises using a coerced labour force came to operate in tea plantations (Behal, 1985).

Formation and development of tea plantation economy required use of large areas of land and a large labour force. Historically both these factors of production were rarely available in abundance at the same place for setting up of tea plantations. The areas suited to the growing of tea in India were sparsely populated and faced shortages of labour during
formative years. Planters had to depend on migrant labour whose migrations had to be induced through fair or foul means. In most cases such migrations were not voluntary. These migrant labour forces mostly originated from the Chotanagpur region of Bihar (now in the state of Jharkhand and the contiguous tribal belts of Orissa and Madhya Pradesh (Behal, 1983). In order to extract the highest return on investment, tea planters had to ensure extraction of maximum possible surplus value from the tea labour. For this to happen planters ensured that migrant labourers worked on the plantations at a very low wage and once a worker got into a contract, it was very difficult to leave the plantation. Planters introduced the indenture system where the worker had to agree to serve on the plantation for a specified period (usually four to five years) and were free to return home after that period. However in practice the long distance from their places of origin made it difficult for workers to return home after the period of their contract ended. Also the colonial government, eager to help planters, enacted legislations that legalized the system of indenture (Dasgupta, 1981).

Also planters encouraged families rather than individuals to migrate to the plantations. This served dual purposes. First, since plantation wanted cheap labour they had to have workers who were permanently settled in the plantations and had no alternative employment opportunity. Therefore by encouraging families to migrate they ensured that workers were cut off from their places of origin. Second, family based migration ensured that labour could be reproduced (Bhowmik, 2002).

Also in those early period planters avoided engagement of local labour even when available, because they had comparatively better bargaining position and could return to their former occupations if they felt wages were inadequate. Predominant use of migrant labour was therefore a means of ensuring availability of a captive labour force with little or no bargaining power. Thus, during the early years of labour shortage, estate managements did not allow a labour market to develop, fearing it would not allow them to retain a captive labour force at low wages. They further ensured that the areas surrounding plantations remain economically backward with no alternative employment opportunities. Tea plantations remained enclaves within the backward region (Mukherjee, 1976).
Before the country became independent in 1947, the planters had their trade bodies to represent their interests while the workers were prevented from unionizing themselves. The employers were organized and powerful whereas the workers were all unorganized and helpless (Rege Commission, 1944). According to the first National Commission on Labour [1969], access to plantations was difficult and attempts to form trade unions were seldom successful. Till 1947, the mechanism of collective bargaining did not exist in the tea industry, which at that time employed 1.25 million workers (Misra, 1985).

After independence in 1947, Government recognized the fact that tea workers in the country needed a fair deal following years of deprivation and exploitation. Subsequent to the decision at the Indian Labour Conference in 1951 to fix minimum wages for each industry, statutory minimum wages were prescribed for tea workers for the first time in 1952. The planters consequently had to accept the concept of a ‘living wage’, with any violation attracting the penal provisions of the Minimum Wages Act 1948. The most important piece of legislation enacted for safeguarding the interests of plantation workers was the Plantation Labour Act 1951 which had a number of welfare provisions relating to working and living conditions. Legislations such as the Minimum Wages Act, the Payment of Bonus Act, the Industrial Dispute Act 1947 and the Factories Act 1948 became enforceable after the setting up of state machinery to administer them in the early 1950s. Labour Tribunals were also constituted to arbitrate labour disputes. These legislative means enabled the reformulation of relationships between the planters and tea workers as those between employer and employees, rather than that of master and servants (Mukherjee, 1976).

While no trade union activity was permissible during the colonial period, trade unions have been allowed to organize tea workers after Independence. Presently the level of unionization is high relative to other industries. In Assam, which has the largest number of plantation workers, the Assam Cha Mazdoor Sangha that is affiliated to the Indian National Trade Union Congress (INTUC) is the dominant worker union. West Bengal in contrast faces the problem of multiplicity of trade unions, with 26 unions operating on its plantations. Among these, the unions affiliated with the Centre of Indian Trade Unions (CITU) have the largest membership, followed by the unions affiliated with the Indian
National Trade Union Congress [INTUC]. Despite the existence of multiple trade unions, plantation workers have tried to form a common front to address labour issues on an industry-wide level. Thus in 1962, the major trade unions in the West Bengal tea industry came together to form the Coordination Committee of Tea Plantation Workers (CCTPW). The CCTPW is an important platform for tackling issues such as wages, bonus, various aspects of industrial relations and providing a rare instance where divergent trade unions share a common platform. The tea planters too have their own large federating associations such as Indian Tea Association (ITA) in Assam and West Bengal and the United Planters Association of South India (UPASI). Both ITA and UPASI, along with most other planters’ associations are members of the Consultative Committee of Planters’ Associations (CCPA) (Dasgupta, 1993).

1.3: Economies of tea production in India

Among the principal tea producing countries in the world, India occupies the first place in terms of area under tea. India’s area under tea showed increasing trend during the period from 1961-62 to 2002-03 (Tea Board, 2004). However, during that period world tea area increased by 186 percent whereas India’s rose by 54 per cent. India’s tea area as a percentage to world tea area has declined from 34.33 per cent to 18.54 per cent during the period from 1961-62 to 2002-03. In 2002-03, total area under tea stood at 331 thousand hectares of which north-eastern India contributed 77.6 per cent and southern India contributed 22.4 per cent. World production increased by 264 per cent during the said period while India’s production increased by 133 per cent. India’s production to world production has substantially reduced from 41.6 per cent to 26.65 per cent during the period under consideration. Average annual rate of growth of tea production in India stood at 3.70 per cent while it was 7.34 per cent for the world. India is the largest exporter of tea in the world. Sri Lanka has been a close second. India’s share in world export in percentage terms has declined between 1961-62 and 2002-03 but there is only marginal decline in absolute quantum of exports. Export of tea has remained, on an average, at 200 million kgs during this period (Tea Board, 2004). The main reason for the fall of India’s share for the last 40 years is that a large quantum of tea has been retained for domestic consumption. India’s share in the world exports declined from 37.18 per cent to 14.04 per cent during the period.
from 1961-62 to 2002-03. In independent India, internal consumption of tea increased significantly. It was 31 per cent of total production in 1947-48 which went up to 78 per cent of the total in 2004-05 (Tea Board, 2007).

The economic viability of tea industry depends crucially on profitable disposal of its products. Marketing of Indian tea is a two-stage process. In the first stage tea is sold in primary market via various channels and in the second stage tea passes through various intermediaries and reaches the consumer. Tea is marketed and made available to the consumer in two different forms – loose and packaged. In the first stage of marketing there are three options-auction, ex-factory and forward contract. Among these the public auction system plays the most important role as Tea Marketing Control Order (TMCO) 1984 specifies that 75 per cent of the total output of tea estates should be sold through auction. Out of India’s total production of 950 million kg in 2004-05, quantity sold through auction was 506.83 million kg (53.13 per cent), export under forward contract was 45.31 million kg (4.77 per cent) and ex-garden sale was 397.86 million kg representing 42.10 per cent of total disposal (Tea Board, 2006).

The auction facilitates distribution of the largest quantities of the product in the shortest possible time. The auction serves the buyer by enabling them to purchase tea of a much broader variety than they would otherwise be able to buy moving from garden to garden individually. Buyers are afforded the widest choice to fulfill their particular requirements while the sellers are provided a platform for attracting the widest range of market through numerous buyers both domestic and external. A new entrant because of the existence of auction system does not have to necessarily worry about marketing his production. Industry has attracted many investors because it is in business straight away without searching for markets. The producers receive the sale proceeds within 14 days after the sale. The buyers have found the auctions convenient as it facilitates buying from a central point and provides them the opportunity of observing the operations of their competitors. Even for private sale auctions act as the yardstick. Thus a system has been developed in such a way that services are efficiently provided to both buyers and sellers. Quantity sold through auction in 2004-05 constituted 53.13 per cent of total crop (Tea Board, 2005). Following liberalization of the of the auction mechanism as provided under TMCO 2001, producers
are relying more on ex-garden sale commonly known as private sale. Tea packets under brand names are becoming popular. Improved communications have also helped expansion of the private sale market.

Development of tea industry in India can be grouped under two major periods. 1. Pre five plan period (1850-1950) 2. Post five year plan period (1951-52 to 2007-08).

1. Pre-five year plan period (1850-1950): The pre-five year plan period again be subdivided into four periods like (a) period of rapid growth 1850-1890 (b) period of stability 1890-1918 (c) inter war period 1918-1939 and (d) period of prosperity 1939-1950.

a. The period of rapid growth (1850-1890): The growth of the industry was remarkable during this period. Area under tea was only 750 hectares in 1852 while it was 152000 hectares in 1890 showing an annual average growth rate of 504 per cent. Similarly, production was 9700 kg in 1850 and 57 million kg in 1890 accounting for an average growth rate of 1466 per cent. Yield was 138 kg per hectare in 1850 which increased to 373 kg per hectare in 1890 (Karmakar & Banerjee, 2005). The various factors responsible for such progress were government grants on easy terms and conditions to the planters, leasing of land to the planters at a nominal rent, low investment cost per acre of land, emergence of private entrepreneurs in cultivation of tea, availability of labour in the early years, formation of Indian Tea Association on May 18, 1881, introduction of improved method of manufacture in 1870, formation of Calcutta Tea Brokers Association in 1879, opening of the railway line in Assam in 1885 and establishment of the Calcutta Tea Traders Association.

b. The period of stability (1890-1918): The tea industry witnessed all round development between 1890 and 1918. Area increased from 152 thousand hectares to 275 thousand hectares (average annual growth rate of 2.9 per cent) while production increased from 57 million kg to 173 million kg (average annual growth rate of 7.3 per cent) and yields was enhanced from 373 kg per hectare to 692 kg per hectare showing average growth rate of 2.5 per cent (Karmakar & Banerjee, 2005).
c. Inter war period (1918 to 1939): The tea industry during the inter war period experienced fluctuations with respect to its growth. Area increased from 275 thousand hectare to 337 thousand hectare and production from 173 million kg to 205 million kg during the period. Increase in production was mainly due to expansion of area. Average annual rate of growth of area was 1.1 per cent and production was 0.9 per cent. There was a decline in yield rate by 0.1 per cent. Average annual growth rate of tea export was 0.5 per cent while it was 2.9 per cent for internal consumption and 1.2 per cent per head annual consumption (Karmakar & Banerjee, 2005).

d. Period of prosperity (1939 to 1950): The outbreak of the Second World War, introduction of bulk purchase scheme, end of British rule in India, further extension of tea Agreement, creation of Central Tea Board and establishment of new auction centre at Cochin were the major events that led to the prosperity of the tea industry. Although there was a decline in area by 6.2 per cent, production increased by 3.6 per cent and yield by 4.4 per cent. Similarly, internal consumption increased by 92 per cent, exports by 22 per cent and per head consumption by 64 per cent (Karmakar & Banerjee, 2005).

2. Post five year plan:

a. First five year plan (1951-56): During the first plan period, the industry developed mainly due to participation of private entrepreneurs. Average annual rate of growth was 0.3 per cent, production by 1.7 per cent and yield by 1.4 per cent. Average annual growth of export was 3.9 per cent and internal tea consumption increased by 1.6 per cent (Karmakar & Banerjee, 2005).

b. Second five year plan (1956-61): Although average annual rate of growth of area declined by 1.7 per cent, production and yield were enhanced by 2.9 per cent and 2.2 per cent respectively, export of tea declined by 2.4 per cent but internal tea consumption increased by 8.9 per cent (Karmakar & Banerjee, 2005).
c. Third five year plan (1961-66): Average annual growth rate of area stood at 1.2 per cent while it was 0.8 per cent for production and 0.4 per cent for yield. Exports of tea declined by 0.8 per cent and internal tea consumption increased by 6.3 per cent. The aggression of China in October 1962 and subsequent aggression of Pakistan in 1965 on India created problems for the tea industry (Karmakar & Banerjee, 2005).

d. Annual plans (1966-67 and 1968-69): Average annual growth rate was 2.3 per cent in area, 4.8 per cent in production, 2.9 per cent in yield and 10 per cent in internal consumption (Karmakar & Banerjee, 2005).

e. Fourth five year plan (1969-74): The average annual rates of growth of area, production, yield, export and internal consumption were 0.5 per cent, 4.8 per cent, 4.2 per cent, 4.2 per cent and 5.6 per cent respectively (Karmakar & Banerjee, 2005).

f. Fifth five year plan (1974-79): There was increase by 0.6 per cent for area, 2.2 per cent for production, 1.5 per cent for yield, and 5.7 per cent for internal consumption (Karmakar & Banerjee, 2005).

g. Sixth five year plan (1980-85): There was overall increase in area (1.8 per cent), production (2.8 per cent), productivity (0.9 per cent), export (1.7 per cent) and internal consumption (5.6 per cent) (Karmakar & Banerjee, 2005).

h. Seventh five year plan (1985-90): Except for decline in export of tea by 0.5 per cent there was improvement in area by 0.5 per cent, production by 3.1 per cent, yield by 2.5 per cent and internal consumption by 4.1 per cent (Karmakar & Banerjee, 2005).

i. Eighth five year plan (1991-96): Average annual rate of growth of production was 1.1 per cent due to increase in area by 0.6 per cent and yield by 0.5 per cent. Export marginally increased by 0.5 per cent and internal consumption by 2.3 per cent (Karmakar & Banerjee, 2005).
j. Ninth five year plan (1997-02): Production recorded marginal growth of 0.4 per cent. Export remained stagnant but the value of export went up because of improvement in unit value. Internal consumption recorded a growth rate of 3.24 per cent annually (Karmakar & Banerjee, 2005).

k. Tenth five year plan (2002-2007): Production continued increasing except for the year 2002 mainly because of improvement in yield rate along with marginal increase in area. The average annual rate of growth of yield was 4.10 per cent while it was 1.28 per cent in case of area (Karmakar & Banerjee, 2005).

1.4: The research issues

In recent years another development, growth of small tea plantations in Assam and West Bengal and also in South India, has added a new dimension to the national tea scenario. First, produces from small-growers, have added to the existing market supply of tea. Second, such proliferation of small-growers has given rise to dualistic system of production. In dualistic system of production one sector consists of large holdings (including corporate entities) employing hired labour. The second sector comprises farmers growing tea in small-holdings typically ranging from half a hectare to three hectares. These farms mainly employ family labour. Casual hired labourers, if needed, are employed only during harvesting season. Now these two modes of production can be termed as traditional estate mode of production and small-growers mode of production, which is of recent origin in India. Both modes of production have their own advantages and disadvantages. The advantages of the small-growers mode of production lie in their predominant use of the family labour that is more sincere and motivated. Volume of hired labour employed by the small-growers is comparatively less. Therefore small-growers do not encounter the inherent difficulties faced in supervision of hired labourers as is experienced by the traditional estate plantations. Now the question that comes to the mind is that if small-growers model is so efficient then how traditional estate plantations originate at the first place. Answers to this question lies in the concept of ‘economies of scale’ in the use of raw materials, land, capital and technology.
Another factor, which is affecting tea industry in India adversely, is the declining profitability since the latter half of the year 1999. Some of the traditional tea estates are finding it difficult to recover the cost of production. Most of the producers are presently trying to reduce cost of production. In this regard estate management is focusing on the labour cost. However these estates have permanent labour force and wages are being paid as settled in an industry-wise tripartite set-up. Requirement of labour varies over the year but estate managements are not in a position to adjust labour deployment according to the needs. Traditional planters believe this lack of labour flexibility is adversely affecting them and is manifesting as declining profitability in both domestic and international tea markets. One way out is to improve quality of tea. But it is difficult to improve quality in the short run particularly when a major part of tea bushes are over 50 years of age.

On the other hand, small growers of tea do not have permanent labour force and volumes of hired labourers are low. Even when hired labourers are used, wages paid to them are lower compared to that of the traditional tea estates. They can adjust their supply more easily while reacting to market signals. Their production and cost structure are comparatively more flexible. All these factors increase their price competitiveness in the domestic and international market. Also small-growers at most times are not constrained by the minimum wage regulations. They often use piece rate contracts whereby labour engaged in tea plucking are paid a certain share of the value of their harvested leaves so that the changes in the price of leaves are immediately reflected in downward adjustment in wage costs. Thus there are reasons to believe that small-growers by and large can overcome fall in auction prices by reducing production cost.

Discussions on the viability of small-growers in present context would be incomplete if I do not examine tea processing factories commonly known as ‘bought leaf factories’ which operate on the basis of purchased leaves from small-growers. Small-growers system, in fact, should be considered as a system consisting of small-scale tea plantations and factories holding no farms but specializing in manufacturing tea out of purchased leaves from small-growers. This decentralized system comprises of independent small tea farmers and independent factories contrasts with the plantation system in which plantation and manufacturing operations are done under a single centralized management.
In the context of present global economic change, tea managements believe that the prime deficiency of the present plantation mode of production lies in incurring high labour costs. Managements are talking about labour flexibility precisely to minimize this difficulty. But labour flexibility as desired by them will not be available as long as labour laws and regulations are there in their present forms. As an escape route, managements had earlier advocated adoption of labour saving mechanisms but so far had achieved very little success. So now attempts are being made to reorganize the production process to approximate that of the small-growers system. Plantations, either individual or corporate, may continue to hold processing and marketing activities, while the farm unit could be subdivided into smaller units and leased out to farm workers for tea cultivation and factories could be transformed into bought leaf factories to be run by the present management. Such reorganization of the production process intends to transform plantation workers to independent tea farmers. Tata Tea has already initiated moves in such directions in its tea plantations in Kerala (Hayami & Damodaran, 2004).

However success of such a changeover in the production process from plantation mode to small-growers mode would depend on many other factors. Overall there are indications that global economic change and fluctuation in auction prices will have an effect on the existing production structure that is likely to shift towards small-growers mode from the existing estate mode of production. But such a changeover is still in its primary stages. Essence of such a changeover in the production relation indicates a quest towards labour flexibility, which seems elusive in the present context. And labour flexibility, as desired by the plantation managements, essentially means freedom to deploy labour according to the varying needs. In such a situation concept of a permanent labour force would be a thing of the past. It will be investigated how restructuring of the production structure have been dictated by prevailing market situations, changes in the production costs and by efficiency requirements. A related question to be addressed during the study will concern the impact of global and Indian market liberalization on the production economics of tea, which in the past mostly operated within a controlled market environment.