CHAPTER 3
THE ORIGIN AND GROWTH OF TEA INDUSTRY

The Tea Industry is the oldest and one of the best organised industries in India. The development of the industry has been rapid and tea is now being grown in large tracts of lands in different regions of sub-continent of India which vary widely in elevation as well as in soil and climatic conditions.

I Origin

Upto the end of the eighteenth century, all tea sent to Europe was from China. Britain too received her entire supply from China. In 1829, Britain imported from China about 12,831,818 kgs. (28,230,000 lbs.) of tea valued at £ 3,286,000.¹

The beginning of tea planting in India dates back to 1770, when a few shrubs imported from Canton, were planted in Calcutta. In 1788, the East India Company commissioned Sir Joseph Banks to study the possibilities

of raising tea plants in India. He reported that Cooch-Behar in Bengal and Bihar were suitable for the cultivation of tea.\textsuperscript{2}

During the early years of the nineteenth century many Europeans, who had been to Assam, reported that tea plants were growing wild, especially in the region in North-East Assam where the Singpho tribe was living. Here the leaves were being pickled following the Burmese method. In the war between Burma and the East India Company, the latter emerged victorious and Assam was annexed to the territories of the East India Company. Thanks to the efforts of the brothers R. and C. A. Bruce, who had settled in Sadiya, in Assam, tea was planted in this region.

to report the results of the experiment from time to
time. On January 24, 1834, Lord William Cavendish
Bentinck, the then Governor-General of India, made the
following speech: ³

"It is not necessary that I should trouble
the Council with many remarks to support
the abstract question of the great advantages
that India would derive from the successful
introduction of the tea plant; and the only
points for consideration are whether there
are no reasonable grounds for the conclusion
that there must be in all the varieties of
climate and soil, between the Himalayas and
Cape Comorin, combinations of both that
must be congenial to this particular plant,
and knowledge and skill for its cultivation
and for the subsequent process of preparing
the leaves for use.... As a practical
agriculturist, one inclines to think that
few of the foreign herbs and plants, which
are become not only naturalised but also
the mainstay of our Agriculture, afforded
in the first instance a greater promise of
successful experiment."

In this sanguine and energetic mood his Lordship wanted
that a Committee should be appointed: ⁴

"It appears that both the President of the
Board of Control as well as the East India
Company have had the subject (tea cultivation)
under their consideration.... I propose that
a Committee, of which I will present a list
hereafter, shall be formed for the purpose
of submitting to Government a plan for the
accomplishment of the object, and for the

³ Quoted by J. E. Scott, *The Tea Story*, Haennemann,

⁴ Parliamentary Papers, Subject Tea, (1837-39) p. 5.
superintendence of its execution....."
(Minute by the Governor-General dated
January 24, 1834).

A memorandum submitted by one Mr. Walker was later on
sent to the Directors of the East India Company by Lord
Bentinck along with his own minute for their information.
The Memorandum read as follows:

"The commercial relations of this country
(Britain) with China have of late assumed
a character of uncertainty.... This
unsatisfactory state of affairs has
originated from a combination of causes
and occurrences spread over a long series
of years.... At no very distant period, and
for some apparently accidental event, not
only the British nation, but all foreigners,
may be prohibited from entering the Chinese
territories.... For many years the consump-
tion of tea has been increasing in this
country.... The quantity consumed in the
United Kingdom exceeds 25,000,000 pounds
per annum; and the annual cost to the
people of this country including the duty
is about £ 8,000,000 sterling. It is,
therefore, of considerable national importance
that some better guarantee should be provided
for the continued supply of this article
then at present furnished by the mere
toleration of the Chinese Government
which although the Chinese have at present
a monopoly; it will be easy for us to
destroy."

The Memorandum indicates how eager was the East India
Company to grow tea in India. The Committee set up by

5 Ibid p. 7.
Lord Bentinck submitted its report on March 15, 1834.\(^6\) The report concludes as follows:

"There is good reason to believe that parts of the Company's dominions present such features of climate and soil as would warrant the expectation that the plant might be successfully introduced into them with a view to commercial purposes."

The regions recommended by the Committee for the planting of tea were:

(i) the lower hills and valleys of the Himalayan region,

(ii) the regions in the eastern frontier of India,

and (iii) the Nilgiris District and the Western Ghats of South India.

These are the regions where the tea industry is flourishing today. Kerala and the Nilgiris District in South India and Assam and West Bengal in North-East India produce more than 90 per cent of all the tea manufactured in India.

Mr. J. G. Gordon of the Calcutta firm of Messrs. Mackintosh and Company, who was also the Secretary of the

\(^{6}\) op.cit. p. 16.
Committee, was deputed to go to China to bring plants and seeds and also cultivators who knew how to grow and prepare tea. Mr. Gordon took a lot of pains in collecting what seemed to him to be the best plants and despatched them to Calcutta in 1834. In the meantime, the results of the planting of indigenous tea in Sadiya came to be better known and the plants sent to India by Mr. Gordon were identified to be of the same species as the indigenous plant. From this time onwards arose the controversy regarding the original home of tea. Whether Assam (India) or China was the original home is a question that has not been satisfactorily answered so far. Those who argue that Assam was the original home seem to contend that, in its natural habitat, a plant grows luxuriantly and that it is in Assam (not in China) has the tea plant attained utmost luxuriance. This argument cannot be accepted in toto, for under favourable conditions, when plants are introduced in new regions, they grow much better than in their original home. Those who maintain that China is the original home, quote a Chinese legend to prove their point. But says Alexander Ibbetson, "...unfortunately there is evidence for supposing that the Chinese never heard of this legend except from foreign sources....There are, however, certain references to the plant in the writings of a celestial author, who lived about 2,700 B.C., and a Chinese commentator of this ancient author, writing in the fourth century B.C., calls attention to the mention of the plant, and adds that a beverage could be obtained from the leaves by adding hot water." (A. Ibbetson, Tea, Third Edition, Isaac Pitman & Sons, London, Year of publication not mentioned, pp. 2-4). After careful consideration of both the viewpoints, De Candolle opines that "the tea plant must be wild in the mountainous region which separates the plains of India from those of China." (Ibid p. 4).

(contd.)
Neither the imported Chinese plant nor its hybrid with the local variety did well in Assam Valley, though they grew luxuriantly later in the Dooars and Darjeeling.

As regards the introduction of tea into Europe, the information is much more certain. There is the story of an old couple in England, during the reign of Queen Elizabeth, who instead of infusing the leaves and using the extract, threw away the coloured liquid and ate the leaves after spreading them on slices of bread! Whether the story is true or not, it is definitely known that tea was introduced into Europe from China in the later half of the sixteenth century and that, in 1657, a regular tea house was opened in Exchange Alley, London. From this date tea became a popular beverage in England.

It was about the time of its earliest introduction in England that tea first became known in Russia when an embassy official to the court of Peking brought back some green tea to the ancient capital, Moscow. In 1664, the East India Company made a present of two pounds of tea to the Queen of Charles II, Catherine of Braganza, and the product was still regarded as a delicacy. Fourteen years later, the Company imported from China 5,000 lbs. of tea and towards the end of the century tea had ceased to be a rarity.
The first experimental tea garden was opened in Lakhimpur (Assam) in 1835. Unfortunately, the experiment proved to be a failure and, therefore, the plants were moved to Joypur in Sibsagar District (Assam). Calcutta received its first consignment of tea from Assam in 1836 and London in 1838. The consignment received at London consisted of 466 lbs. (212 kgs.) and the price obtained was 9 sh. 5 d per lb. By 1838, it was shown that tea could be cultivated in India.8

The arrival of Indian tea in the London market coincided with the period of brisk industrial activity through which England was passing. The year 1836 was the peak of the boom which started gradually after the slump in 1832. Investors in England were looking for profitable avenues to invest their funds. The arrival of Indian tea provided them with one such outlet. The richer among the English people began to approach the Government both in London and in Calcutta for permission to participate in cultivating tea in Assam and a number of companies were formed hurriedly for this purpose both in London and in Calcutta. They were later amalgamated into one single company — the Assam Tea Company — in

1839 with an authorised capital of £500,000. Following this event, the Government of India transferred most of its estates to the Company. The plantations were placed under the superintendence of Mr. C. A. Bruce. After many initial difficulties, the Company began making sizeable profits. Thus began the era of tea cultivation in India.

In South India, Dr. Christie, a surgeon in the Madras establishment, was put on special duty, in 1832, to conduct geological and meteorological inquiries pertaining to tea. Within a very short period he applied to the Government of Madras for a plot of land in the Nilgiri District for the purpose of experimenting with the culture of tea, coffee and mulberry. Dr. Christie died at the end of the same year and, therefore, Colonel Crewe, Commandant of Ootacamund, was asked to be in charge of the plants planted by Dr. Christie. Colonel Crewe made a garden at Crewe Hall. Some of the plants raised here were distributed to the various parts of this hill district for purposes of trial. In 1834, some of the seeds obtained from China by the Commission sent by Lord Bentinck were distributed to the South too. These seeds were tried at the experimental station at Kaiti (about five miles from Ootacamund)

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by Colonel Crewe and Mr. Perrottet, a French botanist. By 1839, these plants were growing luxuriantly in the Nilgiris, though it was not before 1864 that tea was grown on a commercial scale in the Nilgiris, the Anamalleis, Wynaad and Kanan Devan Hills. 10

II Growth of the Industry

(a) First Phase — Learning through Trial and Error

In the growth of the Indian tea industry, the period from 1839 to 1870 constituted the first phase.

The Assam Tea Company, a joint-stock organisation, had a brief spell of prosperity on account of two reasons: (a) It was the first and the only company meeting a growing demand for tea. (b) There was feverish stock exchange activity in the London market. This short-lived prosperity ended when the price of tea began to fall. By 1846-47, there was practically no buyer of tea shares. The immediate cause of the collapse of tea share prices was the inexperience and bad management on the part of those who were in charge of the Company's affairs in the tea estates. It is a matter of common knowledge now that

it takes six to seven years for tea plants to mature and yield full crop. This was not known to the planters of those days and, therefore, leaves were plucked as and when they sprouted. The rush to produce tea from immature plants resulted in the estates becoming unproductive and thus brought a partial collapse in the activities of the Assam Tea Company. Then, of course, there was the commercial crisis which reached its peak in 1847 and affected adversely the activities of the Company. Since the entire stock exchange collapsed, it was only too obvious that there would be few buyers of the shares of the Assam Tea Company.

Though the stock exchange was seriously affected by the commercial crisis of the forties, there were certain other factors which helped England to regain her prosperity. The repeal of the Corn Law in 1846 and the success of the policy of free trade adopted in 1847 were helpful in bringing back commercial prosperity. In the meantime, the planters in India had gained sufficient experience and the tea industry began to expand. "The first tea garden was opened near Dibrugarh in 1850-51. By 1853, three more gardens in Sibsagar, and six gardens in Lucknepore were started. By the end of 1859, there were already 51 gardens."\textsuperscript{11} Between 1850 and 1870, the cultivation

\textsuperscript{11} S. K. Bose, \textit{op. cit.}, p. 5.
of tea expanded not only in Assam but also in the Doosars, Darjeeling and Surma Valley. Attempts at establishing a tea estate at Chittagong in 1840, however, failed because of unsuitable climate.

From 1859 onwards, there was a frenzied rush for starting tea estates and, in fact, tea became a favourite topic for discussion in London business circles. Owing to the fact that British trade and manufacture were spreading all over the world, huge funds awaiting investment were available to British businessmen. British investors began to buy shares without caring even to inquire into the bona fides of such companies. Prices of shares began to soar up. Taking advantage of the increasing demand, speculators-cum-producers opened up estates in Assam and then sold them to newly formed tea companies of London at exhorbitant prices. These planters looked forward to becoming rich quickly by getting a piece of land, planting it over with tea and then selling it for a vastly greater sum than they had expended on it. Though it might have seemed doubtful whether it would ever pay to make tea, there was no doubt that it paid to make tea estates.

During the period under review, public policy was very much in favour of expansion of the tea industry. An Act was passed in 1838 granting waste lands in Assam to planters for a nominal rent. Almost everybody who applied for land for the cultivation of tea got it at a nominal price without any condition being attached to such grants. In Assam, which even to this day is a sparsely populated region, enough waste lands were available and the Government gave them at throwaway prices. This was the period of the American Civil War when rapid fortunes were being made on both sides of the Atlantic and when the attention of the capitalists all over the world was drawn to this country. Speculators saw the opportunity and made the best use of it; from the good results attained by a few private estates, exaggerated pictures were drawn of the enormous profits to be made by working with large capital. Companies were hurriedly formed and land taken up in a reckless manner. The air of England was thick with the talk of commercial prosperity till about 1863 and soon after that there was the inevitable crash.

\[13\] Private business management has tended in the nineteenth century to shy away from industries working for the domestic market in underdeveloped areas and to concentrate instead on primary production (e.g., oil fields, mines, plantations) for export markets. (See H. J. Demberg, "Prospects for Long-term Foreign Investment," Harvard Business Review, July 1956, p. 42.)
The tea estates of Assam, which were growing in number, had to face an acute shortage of labour. Being a thinly populated region, Assam could not supply all the labour needed by the estates. Because of the unenviable working conditions of labour, even all the locally available labour could not be attracted. Any increase in the labour force meant that larger quantities of foodgrains had to be brought to the estates. There was the difficulty of transport, for transport facilities had not developed by then. All these and the crash created a severe depression which, in its turn, brought severe losses to the industry. The condition became so bad that some of the companies were forced to wind up. Instead of rushing to acquire tea property at any price, there was now a still more eager desire to get rid of such property at any price. So severe was the depression that the Government of India was compelled to appoint a Commission in 1868 to inquire into the matter.

After a thorough inquiry in the tea-producing regions of Assam, Cachar and Sylhet, the Commission reported as follows:14

"On the whole we see no reason to believe, so far as soil and climate go, tea cannot be

profitably grown in Assam, Cachar and Sylhet. The whole matter could be reduced to one question of supply of labour. If this can be obtained in sufficient quantity, and at reasonable cost, tea gardens properly planted and economically managed ought to return a fair profit on the outlay."

(b) The Second Phase — Lusty Growth, Concentration of Control and Crises

The year 1870 marked the beginning of the second phase in the development of the Indian tea industry. It was only after the crash of the sixties that the industry was put on a sound footing and passed on into the hands of genuine companies capable of developing the estates from the long-term point of view. This healthy turn came after 1868 and it coincided with a new phase in British foreign investment. The period marks a change of attitude, for, with the increasing need of markets for ever-growing production, of outlets for rapidly accumulating capital, of more and more raw material, especially such as grown in tropical lands, came a desire to link together under British control still greater portions of the earth's surface. The opening of the Suez Canal in 1869 was a further incentive to the investment of British capital in the colonies of the eastern hemisphere.

"The Canal with greater economy of time saved interest on capital invested in the goods in transit and made for a quicker turn-over. In 1883 we find that wheat and tea were going through the canal in greater quantities." The large-scale movement of British capital into India enabled the rapid development of railways, irrigation works, and industries like jute, mining, plantations, etc.

The increase in tea production was considerable. This will be best seen from the fact that "in 1866 no less than 96% of the tea imported into the U.K., came from China, and only 4% from India but in 1886, only 59% came from China while India supplied 38%. In 1903, the imports of China tea had fallen to 10%, compared with 59% of India." 17

During the period 1877 to 1900, the labour force in tea plantations increased by about five times as may be seen from Table 14.


TABLE 14

LABOUR FORCE IN INDIAN TEA PLANTATIONS 1877 TO 1900

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Number of Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1877</td>
<td>...</td>
</tr>
<tr>
<td>1880</td>
<td>...</td>
</tr>
<tr>
<td>1886</td>
<td>...</td>
</tr>
<tr>
<td>1890</td>
<td>...</td>
</tr>
<tr>
<td>1900</td>
<td>...</td>
</tr>
</tbody>
</table>

SOURCE: Annual Reports on Labour Immigration into Assam (for the respective years).

The period 1860 - 1890 was essentially one of expansion and consolidation of the tea industry. Says V. I. Chakko, Secretary of the United Planters' Association of Southern India: 18

"The lusty growth of the plantation industry took place during the thirty years from 1860 to 1890. Most of the establishment of plantations, their expansion and consolidation took place during these three decades. The transition from proprietary properties to partnerships and then to corporate ownership occurred during this period. Producers' organisations in conveniently grouped areas called planting

districts to industry-wide associations began to take shape. Imperial China was still under the illusion that her tea held sway in the world's tea pot and taxed tea accordingly and the tea merchants, of Hainan exacted their price from a growing community of consumers in the world while India was laying the foundation of a great tea industry."

"Today, a century later, we should wonder whether we have learnt anything from the Chinese experience, and whether the plantation industry as such has any future in the country."

There has been a great variety in the size of plantations and hence in the method of working, but tea has been almost entirely a large-scale industry. With the passage of time tea estates became larger, partly through the taking in of more wild land and partly on account of the consolidation of estates. 19

The turn of the nineteenth century witnessed a crisis in the tea industry on account of over-production. In 1900, production touched the record figure of 89,754,847 kgs. (197,460,664 lbs.); but there was no increase in the export to Britain or in internal consumption. Price began to fall and there was a depression.

The depression was followed by a period of prosperity. The trend towards higher prices and profits became clearly visible, especially during the period of the First World War. That the tea companies were passing through a period of prosperity could be seen from the fact that, of the 96 companies registered in India which had an aggregate capital of ₹30.1 million, 91 companies declared dividends in 1913 amounting to 17.7 per cent on the aggregate capital of ₹26.2 million and 36 companies declared dividends for 1914 amounting to 15.6 per cent on their aggregate capital of ₹26.0 million. The tea prices were rising from the year 1910 till 1920, chiefly because of the War.

Tea prices began to slump in 1921 and the low level of prices continued till 1922. The slump was short-lived, for the prices began to recover and reached high levels during the years 1925-27. During this period of prosperity considerable areas of new tea were planted which began to come into bearing by about 1929. Tea prices fell steeply as it became clear by then that the supply of tea was going to be far in excess of demand. Producers of tea in India, Ceylon and Dutch East Indies got together and

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reached an agreement to voluntarily restrict the output. The scheme was brought into operation early in 1930 and had a useful restrictive effect but, unfortunately, the negotiations for its continuance after that year were not successful. In the meantime, the decline in the consumption of tea resulting from the world trade depression of 1929 was seriously aggravating the situation and tea stocks continued to rise until 1932 when the market became so depressed as to be entirely unremunerative to all those who were engaged in the industry. Negotiations between producers in India, Ceylon and Dutch East Indies were, therefore, resumed. The negotiations culminated in an event of great significance in the history of the Indian tea industry, namely, the signing of the First International Tea Agreement in 1933 to operate and administer the Tea Control Scheme. It is generally recognised that the International Tea Regulation Scheme served the industry well and that, in fact, it saved the industry from disaster during the slump in the early thirties. The International Tea Agreement was renewed for a further period of five years from April 1, 1938 to March 31, 1943.21

21 In 1943, the International Tea Agreement was again renewed for five years. In 1948, an Interim Producers' Agreement was entered into for a period of two years. On the expiry of the Interim Agreement on March 31, 1950, the International Tea Agreement was renewed for a period of five years. In 1955, the Agreement was not renewed.
From 1900 to 1939, the amount of capital sunk in the industry increased steadily. While it was about ₹160 million in 1900, the amount increased to about ₹300 million by 1914. In 1938, it stood at about ₹500 million.22

Table 15 shows the area, production and the yield per hectare from 1900 to 1939:

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Of the total exports in 1905, the United Kingdom took no less than 75,797,273 kgs., or, approximately seventy-six per cent. By 1933, the quantity exported to the U.K. had risen to 128,636,364 kgs., an increase of about 70 per cent. The next best customers were America, Australia and Canada. Internal consumption, it is estimated, was 18 to 23 million kgs. 23

During the period under review, nothing much was done to develop the home market. Most of the tea produced was for the export market, the U.K. being by far the most important customer. The intake of the home market was insignificant. One of the reasons attributed for the relative unimportance of the home market was the low per capita income and the consequent inability of the people to afford the luxury of tea drinking. But the more important reason was the lack of adequate publicity.

Though a cess on tea exports was levied as early as 1903 for purposes of publicity and propagandas, the amount spent on publicity remained low till the thirties. In 1935, the International Tea Market Expansion Board was formed in London on the recommendation of the International

Tea Committee to supplement the work of the three producing countries by carrying on generic propaganda on behalf of all tea in all the markets. The name of the Tea Cess Committee was accordingly changed in 1937, and the body was given the nomenclature, "The Indian Tea Market Expansion Board". This body came under the supervision of the parent body. It was only during the thirties that the amount spent on propaganda reached a respectable figure.

Concentration and Instability of Tea Prices

The second phase in the growth of the Indian tea industry is notable for (a) concentration of ownership of tea plantations in British hands and (b) a series of slumps in tea prices.

Concentration of Control:

Almost all the tea plantations started during this period were by British companies and the British market provided the necessary strength. "This growing concentration of control of production, trade and market in the hands of a single country, for that matter in the hands of a people belonging to the same nationality, is somewhat
Tea replaced coffee as the national drink of the U.K. In fact, on account of Britain's energetic drive the tea habit developed in her colonial possessions too. She also explored new regions for tea plantations and the acreage under tea began to increase rapidly. Thus, besides the tea plantations in North-East India and South India, tea estates were started in Ceylon and Africa. This concentration became useful in streamlining the distributional patterns in the form of London auctions.

Outside Britain, under the leadership of Dutch, the Netherlands East Indies took to tea plantation. A curious fact was that the Netherlands East Indies had to depend largely on the British market and on her co-operation for the disposal of her tea crop with the result that for all practical purposes she became an "associate" of British interest. Thus, while by the beginning of the twentieth century China disappeared from the world market as an exporter of tea, India, Ceylon and Indonesia emerged as principal producers and exporters. British East Africa followed them.  


Instability of Tea Prices:

In the course of the last one century, the tea industry suffered violent fluctuations in prices in 1866, 1879, 1896-1904, 1920, 1928-33, 1951-52, 1955 and 1966-69. In 1866, when the tea industry was still in its nascent stage, a slump overtook the industry consequent upon its excessively rapid expansion. In 1865 India's exports of tea amounted to 1.25 million kgs., but in 1866 tea exports rose to the level of nearly 2.84 million kgs., resulting in a sharp fall in prices from 4 Sh. 2.6 d per kg. to 2 Sh. 4.6 d per kg. In 1867 the prices recovered and remained steady for the next ten years around 3 Sh. 10.2 d. The slump of 1879 was the result of a rumour that exports from China might fall short by 9.1 million kgs.

The slump of 1896-1904 was due to over-production in North-East India, China and Ceylon. Prices began to recover from 1905 and the industry continued to enjoy prosperity till the end of 1916.

The slump of 1920 was, by and large, the result of First World War (1914-18). During the War, Britain's Ministry of Food entered into contracts with producers in India and Ceylon for buying 40 per cent and 27 per cent respectively of tea produced in 1917. Subsequently the
figures were raised to 66 per cent and 50 per cent respectively of the crop of 1918. As a result of these contracts there was an appreciable increase in acreage. The situation took a turn for the worse when the Government of Britain released the stocks it held after the decontrol of tea in the spring of 1919. Stocks began to accumulate at the producing points not only on account of sluggish demand but also because of shipping difficulties and loss of markets on account of the war. During November, 1919, the stock of tea in London jumped up from 65.9 million kgs. to 76.8 million kgs. and further rose to 92.3 million kgs. in December. Consequently prices fell. By the end of September, 1920, the average price of Indian teas in London auctions registered a decline to 1 Sh. 11.1 d from 4 Sh. a kg. which was the prevailing price in November, 1919. But, before the slump could become serious, the Indian Tea Association directed its members on November 15, 1920, to suspend plucking. There was a decline in production and this helped a speedy recovery. The fall in production was also due to finer plucking and unfavourable weather conditions. The fall in production was not confined to India and Ceylon only. There was a corresponding fall in production in Indonesia too. The demand exceeded the supply. Before the close of 1921 the price of tea became remunerative again. The rise in price continued and reached
the peak in 1924. Throughout 1925 and 1926 the price remained at a high level. The result was a tremendous increase in the acreage under tea which, in its turn, led to the great depression of 1928–29. India, Ceylon and the Dutch East Indies entered into an agreement in 1930 to restrict exports. Restriction of exports had a salutary effect on tea price. The spell of depression, however, prolonged till 1933–34. In 1933 the first International Tea Agreement was signed by India, Ceylon and Dutch East Indies to operate and administer the Tea Control Scheme.

After 1933–34, the trend was towards recovery. Soon, the Second World War intervened.

The most notable effect of the War on the tea industry, on the whole, was the exit of Indonesia from the world tea market. Indonesia was overrun by the Japanese as a result of which countries of the West were totally deprived of Indonesian tea. The world supply of tea declined suddenly after 1942, thus creating a situation for the other producing countries to step up their supply to the world market which thereafter became a sellers' market. In its endeavour to meet the new situation, the International

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Tea Committee increased the figure of regulation for the remaining exporting countries by 125 per cent. Naturally, India's area under tea, production, and exports as percentages of world area under tea, world production and world exports respectively, rose rapidly as can be seen from Tables 16 and 17:

**TABLE 16**

AREA AND PRODUCTION OF TEA IN INDIA AS COMPARED TO ALL PRODUCING COUNTRIES 1939 AND 1952

(Area in hectares and production in million kgs.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Area (India)</th>
<th>Area (World)</th>
<th>Percentage of 2 to 3</th>
<th>India's Production</th>
<th>World Production</th>
<th>Percentage of 5 to 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1939</td>
<td>340,083</td>
<td>886,051</td>
<td>38.38</td>
<td>211.865</td>
<td>487.232</td>
<td>45.48</td>
</tr>
<tr>
<td>1952</td>
<td>318,898</td>
<td>787,090</td>
<td>40.52</td>
<td>278.909</td>
<td>582.094</td>
<td>47.91</td>
</tr>
</tbody>
</table>

**NOTE:** Area and Production of India for 1939 include areas now in Pakistan.

### TABLE 17

**INDIA'S EXPORTS OF TEA AS COMPARED TO ALL TEA-EXPORTING COUNTRIES 1939 to 1952**

( in million kgs.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantities Exported from India</th>
<th>Quantities Exported from all Producing Countries Including India</th>
<th>Percentage of 2 to 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1939</td>
<td>151</td>
<td>400</td>
<td>37.7</td>
</tr>
<tr>
<td>1940</td>
<td>160</td>
<td>419</td>
<td>38.2</td>
</tr>
<tr>
<td>1941</td>
<td>182</td>
<td>410</td>
<td>44.5</td>
</tr>
<tr>
<td>1942</td>
<td>182</td>
<td>299</td>
<td>50.8</td>
</tr>
<tr>
<td>1943</td>
<td>169</td>
<td>517</td>
<td>53.4</td>
</tr>
<tr>
<td>1944</td>
<td>206</td>
<td>352</td>
<td>55.6</td>
</tr>
<tr>
<td>1945</td>
<td>172</td>
<td>293</td>
<td>56.8</td>
</tr>
<tr>
<td>1946</td>
<td>156</td>
<td>286</td>
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<tr>
<td>1947</td>
<td>194</td>
<td>262</td>
<td>53.6</td>
</tr>
<tr>
<td>1948</td>
<td>159</td>
<td>352</td>
<td>46.0</td>
</tr>
<tr>
<td>1949</td>
<td>221</td>
<td>434</td>
<td>51.0</td>
</tr>
<tr>
<td>1950</td>
<td>182</td>
<td>397</td>
<td>45.8</td>
</tr>
<tr>
<td>1951</td>
<td>205</td>
<td>455</td>
<td>45.1</td>
</tr>
<tr>
<td>1952</td>
<td>186</td>
<td>414</td>
<td>45.0</td>
</tr>
</tbody>
</table>

**NOTE:** Figures up to 1947 include those of areas that are now in Pakistan.

Though the area under tea in India as a percentage of that of the world increased only by 2.14 per cent during the period 1939-52, production registered a remarkable increase (Table 16). India's production of tea as a percentage of world production increased by 4.43 per cent during the same period. As for exports, the increase was about 35 million kgs. India's export of tea as percentage of world tea exports was up by 7.3 per cent (Table 17).

The London auctions having been suspended soon after the outbreak of the War, the U.K. Government adopted the system of bulk purchases of tea in Calcutta and other tea-producing centres. The prices for the bulk purchases in a particular year was fixed on the basis of the average price offered at sales during the years 1936, 1937 and 1938, only the tea sold in the U.K. and the tea sold with export rights being taken into account in arriving at the average price. To this price an addition was made every year on account of the increase in the cost of production. As a result of the introduction of this system, the price of tea ceased to be a matter of normal supply and demand. In fact, India had to sell her teas at a lower price than what she would have got in the normal course. "For some commodities bulk purchase
may be suitable but for tea, except as a war measure, it is most unsuitable and indeed in some respects positively harmful. The Bulk Purchase System was abandoned in 1951 when the auctions in London were reopened.

With the resumption of the London auctions a rather severe slump in prices set in towards the close of 1951. The extent to which tea prices slumped can be seen from table 18:

<table>
<thead>
<tr>
<th>Details</th>
<th>1951-52</th>
<th>1950-51</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sale No. 40</td>
<td>Sale No. 38</td>
</tr>
<tr>
<td></td>
<td>(31-3-1952)</td>
<td>(2-4-1951)</td>
</tr>
<tr>
<td>Darjeeling</td>
<td>2 - 11 - 10</td>
<td>4 - 6 - 7</td>
</tr>
<tr>
<td>Dooars</td>
<td>1 - 13 - 8</td>
<td>3 - 5 - 8</td>
</tr>
<tr>
<td>Terai</td>
<td>1 - 9 - 1</td>
<td>3 - 8 - 3</td>
</tr>
<tr>
<td>Tripura</td>
<td>1 - 6 - 4</td>
<td>3 - 5 - 2</td>
</tr>
<tr>
<td>Assam</td>
<td>3 - 1 - 2</td>
<td>4 - 3 - 1</td>
</tr>
<tr>
<td>Cachar</td>
<td>1 - 15 - 4</td>
<td>3 - 12 - 4</td>
</tr>
</tbody>
</table>


Report of the Ad Hoc Committee on Tea, op. cit. p. 91.
Perturbed by the serious decline in prices, the Government of India appointed an Official Team to inquire into the cause of the decline in tea prices. The Team submitted its report towards the end of 1952. According to the Team, two causes were responsible for the decline in prices, one temporary and the other long-term. The temporary cause was the glut of medium quality teas in the market. The U.K. had a stock of about 63.6 million kgs., and India's stock amounted to about 45.5 million kgs. of medium and cheap quality teas. Further, there was the expectation that with the decontrol of tea, the U.K. Food Ministry would unload on the market their stock of 31.8 million kgs. of not-too-fresh teas. The long-term cause was the steady increase in tea production in all the tea-growing countries of the world and the consequent imbalance between supply and demand.

To put the industry on a more stable footing, the Government of India passed the Tea Act of 1953. The Act created the Tea Board which was inaugurated by the Union Minister for Commerce and Industry on April 3, 1954. The

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The outstanding feature of the Tea Act is the merger of propaganda and cognate activities and control over production and export in one and the same body, namely, the Tea Board.

The Indian tea industry enjoyed the most prosperous season during 1954, when prices reached heights which could not have been foreseen even by the most sagacious prophets in the industry. The annual average price of tea sold at the Calcutta auctions reached the high level of Rs.7 per kg. in 1954-55 whereas in 1953-54 it was just Rs.4.61 per kg. The price per kg. of tea dust in the internal market rose from Rs.4.22 to Rs.5.43. In the London auctions the average price for North and South Indian teas rose from about 8 Sh. per kg. in 1953 to 11 Sh. 9 d in 1954. This unprecedented prosperity was followed by somewhat lower prices in the seasonal year 1955-56. Since then till 1960 prices were fluctuating in a moderate manner. Table 19 shows the fluctuations in the price of Indian tea at London auctions:

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### TABLE 19

**ANNUAL AVERAGE PRICE OF INDIAN TEA SOLD AT LONDON AUCTIONS 1957 TO 1960**

<table>
<thead>
<tr>
<th></th>
<th>1957</th>
<th>1958</th>
<th>1959</th>
<th>1960</th>
</tr>
</thead>
<tbody>
<tr>
<td>North India</td>
<td>10.47</td>
<td>10.90</td>
<td>10.02</td>
<td>10.49</td>
</tr>
<tr>
<td>South India</td>
<td>8.36</td>
<td>8.08</td>
<td>8.02</td>
<td>9.09</td>
</tr>
</tbody>
</table>


Table 20 shows the area under tea, production and exports during the period under review:

### TABLE 20

**INDIA — AREA UNDER TEA, PRODUCTION AND EXPORTS 1952-53 TO 1959-1960**

<table>
<thead>
<tr>
<th>Year</th>
<th>Area (in Hectares)</th>
<th>Production</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1952-53</td>
<td>318,642</td>
<td>278.777</td>
<td>193.659</td>
</tr>
<tr>
<td>1953-54</td>
<td>319,478</td>
<td>295.519</td>
<td>213.500</td>
</tr>
<tr>
<td>1954-55</td>
<td>320,238</td>
<td>307.704</td>
<td>208.462</td>
</tr>
<tr>
<td>1955-56</td>
<td>320,588</td>
<td>308.719</td>
<td>183.769</td>
</tr>
<tr>
<td>1956-57</td>
<td>323,255</td>
<td>310.802</td>
<td>233.088</td>
</tr>
<tr>
<td>1957-58</td>
<td>325,157</td>
<td>325.225</td>
<td>233.088</td>
</tr>
<tr>
<td>1958-59</td>
<td>326,494</td>
<td>325.955</td>
<td>217.322</td>
</tr>
<tr>
<td>1959-60</td>
<td>320,788</td>
<td>321.007</td>
<td>215.459</td>
</tr>
</tbody>
</table>

**NOTE:** The figures relate to actual production based on the reports received from tea plantations by the Indian Tea Licensing Committee.

The figures in Table 20 show that the area under tea rose steadily year after year. As for production, there was uninterrupted increase except in 1959-60 when it came down to about 321 million kgs. as compared with about 326 million kgs. in 1958-1959. The most disturbing feature during the later half of the period was the fall in exports. Tea exports declined to the low level of about 215 million kgs. in 1969-1960 whereas in 1956-1957 the exports were as high as 233 million kgs.

III Growth and Problems of the Industry in Recent Years

Growth

The sixties have been, in general, a period of growth for the tea industry. However, many problems crying for urgent solution have emerged. It looks as though these problems, if not solved, will retard the future growth of the industry.

Production of tea reached an all-time record of 354 million kgs. in 1961. By 1968-69 production increased to 401.5 million kgs. In some of the intervening years production decreased mostly on account of unfavourable weather conditions, labour strikes, etc. On the whole, the trend has been for production to increase. India has
remained the largest producer of tea in the world with an area of 351,065 hectares under tea.

India has the highest yield per hectare (1969) among the principal producing countries, the yield being 1,144 kgs. as against 930 kgs. in Ceylon, 697 kgs. in Pakistan, about 1,000 kgs. in East Africa and 666 kgs. in Indonesia.

Scientific research into different aspects of cultivation and manufacture of tea has been going on in India for over hundred years. Continuous efforts are being made at the tea research stations in the country to prevent and, if possible, to eradicate pests and diseases that affect tea and to evolve high-yielding seeds and clones of better quality. This has led to progressive improvement in quality and increase in the yield per hectare. On the manufacturing side efforts are being made to improve the quality of manufactured tea as well as to introduce new methods, techniques and machines.

Please refer Appendix 1 for detailed information regarding research in tea industry.
The Tea Board is now empowered to give grants to tea producers for replantation to the extent of Rs.3,500 per hectare in plains and Rs.4,500 per hectare in the hilly regions. The grants would be made in four or five instalments.

Teas produced in India are mainly black teas, though a small quantity of green tea is also produced. The different types of tea manufactured in India are known as Orthodox, C.T.C., Legg-cut, Rotorvane and Chaff-cut. The main basis for this classification is whether the tea is produced by using the conventional crank rollers only or by the use of C.T.C. machines, the Legg-Cutter, the Rotorvane and the Chaff-Cutter individually or in suitable combinations. The sequence of steps involved in orthodox manufacture is withering, rolling, fermenting and firing whilst in the C.T.C. method the C.T.C. machine is used for disintegrating the leaf. In the Legg-cut type of manufacture the sequence of steps is planning of steaming, centrifugation, rolling and drying. The final grading and packing are common to all types of manufacture in respect of the size and style of leaf as required by the trade.
The break-up of total production of tea in India is as follows:

- Orthodox: 40.9 per cent
- C.T.C.: 52.6 "
- Legg-cut: 5.3 "
- Green tea: 1.2 "

Great strides have been made in recent years in the manufacture of black tea by C.T.C. method. A strong liquor and also a large number of cups per kg. of tea are the features of C.T.C. teas. This type of tea is very much in demand both in India and in some of our foreign markets for mixing with other varieties which excel in flavour and aroma. Of India's total exports of tea nearly 40 per cent consists of teas of C.T.C. manufacture. In U.K. about 60 per cent of the total imports of Indian tea consists of C.T.C. teas. C.T.C. teas of Indian origin are also sold in large quantities in Europe. The increase in demand for C.T.C. teas denotes gradual change in taste and is an indication of the shape of things to come.

An innovation in production in recent years is the manufacture of instant tea directly from green leaf rather than from manufactured black tea as is the practice.
in the U.S.A. Already two factories for the manufacture of instant tea have gone into production and export marketing. These instant teas have been favourably commented upon by connoisseurs in Europe and America.

Another innovation of recent years relates to export of tea in consumer packet. The total quantity and value of packet tea exported from India increased from 1.5 million kgs. and Rs.11.4 million in 1965 to 2.6 million kgs. and Rs.25 million in 1966 and further to 3.5 million kgs. and Rs.36 million in 1968.31

Internal consumption (estimated) has been steadily increasing over the years. Whilst it was about 140 million kgs. in 1961-62, it had increased to 181 million kgs. by 1967-68.

Co-operative tea factories have been inaugurated in the Nilgiris District (Tamil Nadu) and Kotayyam District of Kerala with a view to help small growers to sell their green leaves at remunerative prices.

Problems

However, the problems facing the industry are many, the chief among them being (i) relatively low growth rate of production, (ii) declining trend in exports, (iii) instability of prices and (iv) declining profitability.

(i) Relatively Low Growth Rate of Production

That the growth rate of production of tea in India has been low as compared with the other major tea-producing countries of the world can be seen from Table 21.
Table 21 shows that although India is the largest producer of tea in the world, her annual rate of growth is only about 1.7 per cent. The average rate of growth for the entire world (excluding Mainland China and the U.S.S.R.) is about 3 per cent. In this connection, it may be noted that the Tea Board has set a production target of 460 million kgs. for 1973-74 and has been concerning itself with measures that should be adopted by the industry and Government to increase production in the country to this target level. But the progress of development of the industry has not been fast enough because of the shortcomings of Government policy. It is imperative that every effort should be made to reach the target set by the Tea Board.

(ii) Declining Trend in Tea Exports

The tea exports of India and its declining share in the world market can be clearly seen from Table 22:
### TABLE 22

trend in tea exports of india, ceylon and east africa
1953-1966

<table>
<thead>
<tr>
<th>Year</th>
<th>India's Exports (in million kgs.)</th>
<th>Percentage of World Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>India</td>
<td>Ceylon</td>
</tr>
<tr>
<td>1953</td>
<td>227.1</td>
<td>46.15</td>
</tr>
<tr>
<td>1954</td>
<td>203.2</td>
<td>40.83</td>
</tr>
<tr>
<td>1955</td>
<td>166.7</td>
<td>36.86</td>
</tr>
<tr>
<td>1956</td>
<td>237.5</td>
<td>44.30</td>
</tr>
<tr>
<td>1957</td>
<td>200.6</td>
<td>39.02</td>
</tr>
<tr>
<td>1958</td>
<td>229.5</td>
<td>40.73</td>
</tr>
<tr>
<td>1959</td>
<td>213.7</td>
<td>39.53</td>
</tr>
<tr>
<td>1960</td>
<td>193.1</td>
<td>36.43</td>
</tr>
<tr>
<td>1961</td>
<td>206.3</td>
<td>37.85</td>
</tr>
<tr>
<td>1962</td>
<td>211.6</td>
<td>37.60</td>
</tr>
<tr>
<td>1963</td>
<td>223.5</td>
<td>39.31</td>
</tr>
<tr>
<td>1964</td>
<td>210.5</td>
<td>37.75</td>
</tr>
<tr>
<td>1965</td>
<td>199.4</td>
<td>34.85</td>
</tr>
<tr>
<td>1966</td>
<td>179.2</td>
<td>31.40</td>
</tr>
</tbody>
</table>

India's tea exports which accounted for 48.15 per cent of world exports in 1953 decreased to 31.40 per cent by 1966. Table 22 also indicates that the exports from Ceylon and the East African countries which accounted for 32.26 per cent and 3.35 per cent respectively of total world exports in 1953 increased to 35.09 per cent and 10 per cent respectively of world exports by 1966. Thus Ceylon whose export was considerably lower than that of India in 1953 was leading the rest of the world by 1966.

Table 9 (page 47) shows that there has been a rising trend in the value of tea exports as also in the value of exports of all commodities. The export earnings from tea increased from Rs.1,042.2 million in 1953 to Rs.1,200.2 million in 1967 (in pre-devaluation terms), while the export earnings from all commodities increased from Rs.5,244.7 million in 1953 to Rs.7,685.7 million (in pre-devaluation terms) during the same period. A significant feature revealed by the figures in Table 9 is that the export earnings from tea which accounted for 19.87 per cent of India's total export earnings from all commodities in 1953 decreased to 15.62 per cent (in pre-devaluation terms) during the same period. This was due to the fact that the rate of increase in the export earnings from all commodities was higher than the rate of increase in the
export earnings from tea. That is, while the export earnings from all commodities increased by about 47 per cent (in pre-devaluation terms) during 1955-66, the export earnings from tea increased only by 15 per cent (in pre-devaluation terms) during the same period.

Thus, while the area under tea and the production of tea have been increasing, India's tea exports and her percentage share of world tea exports have been decreasing during the period. Further, though the export earnings of tea increased by 15 per cent (in pre-devaluation terms) during the period 1953-66, its share in the total export earnings decreased from 19.87 per cent to 15.62 per cent (in pre-devaluation terms). The decreasing trend in India's tea exports and in her share of world exports is due to many causes.

To finance the developmental projects of India's Plans, foreign exchange in adequate quantities is urgently needed. Tea being an important foreign exchange-earner, the downward trend in exports is indeed disturbing and needs to be corrected. Here, again, a change in public policy is indicated.
(iii) Instability of Prices

Perhaps the most important problem facing the tea industry not only in India but the world over is its fluctuating fortunes on account of the instability of tea prices with a predominant tendency to fall. This is mostly due to the fact that world supply is in excess of world demand. India has been facing the problem of accumulated stocks which having declined from 60 million kgs. in 1960-61 to 53 million kgs. in 1963-64 rose to 77 million kgs. in 1965-66. Stocks in London have been accumulating too. The prices at the London auctions registered a decline from 9 Sh 7.30 d in 1965 to 9 Sh 6.95 d per kg. in 1966. During 1967 and 1968 there has been a sharp decline in prices. Taking the prices at London auctions as an index of tea price levels, it is seen that the unit value of any origin sold in London has registered a sharp fall between December 1, 1967, and December 1, 1968. While the average unit price of Indian teas (both North-East India and South India) suffered a fall of about 9 d, the fall in price for the teas of Ceylon, Kenya and Malawi were 9 d, 1 Sh. 1 d, and 4 d respectively. As a result, there has been a fall in the export earnings from tea for all the tea-

producing countries of the world during 1967, 1968 and 1969. Further declines are likely for some more time to come unless production is curtailed and matched with consumption or consumption increases in proportion to production. International action beyond the present system of reviews and exchange of information is urgently called for.

(iv) Declining Profitability

Profitability of the tea industry has been declining over the years and one of the important reasons for declining profitability is rising cost of production. Rising cost of production has also been responsible for reducing India’s share in the international tea market and it has been the main deterrent factor in the way of extension and replantation in the field and modernisation of the factory. Two of the chief factors which have been responsible for the abnormal rise in the cost of production are (a) rise in labour cost and (b) the rising burden of taxation. The plantation industry being labour-intensive, a major part of the expenses (about 60 per cent) is incurred on labour alone and this formed as much as 30 per cent of the total income realised in 1960-61 and 1965-66. During the period labour costs, including expenditure on labour welfare, have gone up
from 2.132 million in 1961-62 to 2.156 million in 1965-66 i.e., a rise of nearly 18 per cent. There has been a five-fold increase in the excise duty and the cess on tea.\textsuperscript{33} Tea is one of the highly taxed industries in the country. According to a survey conducted by the United Planters' Association of Southern India (Coomoor) for 10 South Indian tea companies, the index number of taxation increased by 182.8 per cent during the period 1950 to 1966. The burden of taxation is so heavy that the Borooah Committee on the Tea Industry (1968) has recommended a number of tax relief measures. Besides, the Committee has suggested some measures to reduce labour cost, especially in regard to housing and medical facilities and the supply of foodgrains to tea estate labour. But the more immediate need of the tea industry in this regard is discipline and higher productivity on the part of labour. On account of strikes, especially in West Bengal and Kerala, the estates are made to suffer heavy losses. Even life and property of the managerial cadre are not safe! All these factors together with the increase in other items of expenditure, have resulted in a fall in the profitability of the industry. The policy of the Government in regard to taxation and

\textsuperscript{33} Reserve Bank of India Bulletin, Bombay, November 1968, p. 1396.
labour has changed if the present trend of declining profitability is to be arrested and reversed.

A few basic facts about the nature of the tea industry will do much to highlight the difficulties and limitations under which it has to function. Although tea plantations are essentially agricultural enterprises, what distinguishes them from ordinary peasant agriculture is the application of the system of industrial management to agricultural practices; this has enabled tea plantations to achieve a record of efficiency which is far above the level of traditional agriculture in India. As in the case of traditional agriculture, most of the operations on a tea plantation are seasonal. Moreover, tea plantations also suffer from almost all the natural calamities to which traditional agriculture is vulnerable. Although the tea plantation industry is clearly not an "industry" in the generally accepted sense of the term, it is normally treated as one for all intents and purposes. Unlike traditional agriculture, a wide variety of taxes is levied by the Central Government and respective State Governments on a tea plantation's land, produce and income, while its workers are treated as "industrial" labour and, consequently, tea plantations are subject to
the Industrial Disputes Act and a plethora of welfare legislations. As in the case of a manufacturing unit, the price at which tea can be sold economically is determined by the cost of production, but here the similarity ends, since the cost of production of tea does not, in fact, determine the selling price; this is solely determined by the world supply and demand situation. The tea industry, therefore, suffers from the disadvantages of both traditional agriculture and industry and has few of their advantages.