CHAPTER 5

STRUCTURE OF THE INDIAN TEA INDUSTRY

I Introductory

The structure of an industry is not a matter for arbitrary decision by this or that entrepreneur or by a Governmental agency, but a matter of optimum combination of the factors of production leading to least cost. A Rourkela Steel Plant, a Hindustan Photo Films Plant or a Sindri Fertiliser Plant cannot be located anywhere. They need to be located in places where the necessary facilities are available. What is more, the plants have to be necessarily large, if they are to be economical. A tea estate has to be necessarily large, if it is to make reasonable profits. Substantial economies of management and marketing result from the vertical combination of the ownership of tea estates and factories.

A survey conducted by the Tea Board covering 135 single-estate companies revealed that estates between 300 and 400 hectares had the highest productivity per unit area as also, the lowest unit costs of production.

However, it must be emphasised that much investigation remains to be done than has been conducted so far to ascertain the exact requirements of efficient tea production.

II Factors Responsible for Large Size of the Units

The present structure of the Indian tea Industry is the result of historical circumstances and the general character of the product itself.

(1) Historical Circumstances

Historical circumstances in India have favoured the establishment of large tea plantations. The monopoly of China trade, which the East India Company was enjoying for a long time, came to an end in 1833. The loss of China tea trade compelled the British pioneers to develop the Indian tea industry in large units. During those days small tea estates were conspicuous by their absence. Besides, in the areas where tea could be grown, there was no scarcity of land. Therefore, land grants were made by the Government to those who wanted to cultivate tea at nominal prices and allotments were taken up in extensive blocks. The practice of establishing large units has continued, with the result that most of the present-day
tea plantations extend over hundreds and, in a few cases, thousands of hectares.

(ii) General Characteristics

A tea plantation, unlike most other industries, can be expected to yield economic returns under favourable conditions only after a gestation period of six to seven years. For processing the product the plant must be such that it embodies the latest techniques. The funds required for the installation of such machines are necessarily large. At a modest estimate, it is necessary to have around 125 hectares to produce enough green leaves to keep the factory running on an economic basis. When the improvement to be introduced is of a type which presupposes a minimum size of land area the advantages enjoyed by the larger estates are obvious. Of course, much depends on the yield per hectare. Another important feature of the tea economy is that a large portion of tea has, from the very beginning of the industry, been sold in an international market and this has made it necessary to have a well-knit marketing organisation also.

The large size of the unit in the tea industry is, therefore, explained by:

(a) the requirements of capital,
(b) the need to have expensive modern equipments,
and (c) the existence of organised marketing service.

It does not mean, however, that all the units are large in size. It only means that the typical tea estate in India is a plantation of hundreds of hectares and not a small holding. Even in the case of small holdings, the solution to their problems lies in the direction of co-operative organisation for processing and marketing.

Table 26 shows the number of estates in each State according to size:
## Table 26

### India — Number of Tea Estates According to Size (as on March 31, 1968)

<table>
<thead>
<tr>
<th>State</th>
<th>Above 5 Hectares</th>
<th>Above 50 Hectares</th>
<th>Above 200 Hectares and Below 400 Hectares</th>
<th>Above 100 Hectares and Below 200 Hectares</th>
<th>Above 50 Hectares and Below 100 Hectares</th>
<th>Above 5 Hectares and Below 50 Hectares</th>
<th>Up to 5 Hectares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assam</td>
<td>16</td>
<td>98</td>
<td>164</td>
<td>236</td>
<td>129</td>
<td>280</td>
<td>1,154</td>
</tr>
<tr>
<td>West Bengal</td>
<td>6</td>
<td>13</td>
<td>98</td>
<td>70</td>
<td>112</td>
<td>280</td>
<td>1,154</td>
</tr>
<tr>
<td>Tripura</td>
<td>1</td>
<td>15</td>
<td>9</td>
<td>28</td>
<td>3</td>
<td>280</td>
<td>1,154</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>2</td>
<td>15</td>
<td>9</td>
<td>2</td>
<td>3</td>
<td>280</td>
<td>1,154</td>
</tr>
<tr>
<td>Bihar</td>
<td>2</td>
<td>10</td>
<td>93</td>
<td>67</td>
<td>19</td>
<td>280</td>
<td>1,154</td>
</tr>
<tr>
<td>Kerala</td>
<td>2,206</td>
<td>101</td>
<td>28</td>
<td>30</td>
<td>19</td>
<td>280</td>
<td>1,154</td>
</tr>
<tr>
<td>Karnataka</td>
<td>5,797</td>
<td>327</td>
<td>21</td>
<td>39</td>
<td>16</td>
<td>280</td>
<td>1,154</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td>280</td>
<td>1,154</td>
</tr>
<tr>
<td>Total</td>
<td>7,708</td>
<td>564</td>
<td>191</td>
<td>317</td>
<td>459</td>
<td>280</td>
<td>1,154</td>
</tr>
</tbody>
</table>

*Excluding Kumaon and Mandi.

The total area under each size is as follows:

<table>
<thead>
<tr>
<th>Size Description</th>
<th>Hectares</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Up to 5 hectares</td>
<td>6,900.81</td>
</tr>
<tr>
<td>ii. Above 5 hectares and below 50 hectares</td>
<td>9,542.67</td>
</tr>
<tr>
<td>iii. Above 50 &quot; and below 100 &quot;</td>
<td>14,352.34</td>
</tr>
<tr>
<td>iv. Above 100 &quot; and below 200 &quot;</td>
<td>46,167.41</td>
</tr>
<tr>
<td>v. Above 200 &quot; and below 400 &quot;</td>
<td>132,503.34</td>
</tr>
<tr>
<td>vi. Above 400 &quot;</td>
<td>137,209.16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>346,675.73</strong></td>
</tr>
</tbody>
</table>

*Excluding Kangra and Mandi.

These figures represent the actual area under tea cultivation. However, many of bigger estates have reserve lands which are not yet planted with tea. These lands are referred to as "Khet" lands in North India. Some of these lands are given to labour for the cultivation of paddy, potatoes, vegetables, etc. Fairly large areas are left in their original state of jungle.

The tea industry, unlike manufacturing industries, has characteristics common both to agriculture and industry. A fair-sized tea estate has a fairly elaborate management and a large labour force. Situated, as most of these estates are, far away from towns and villages,
labour had to be recruited, when the estates were first started, from places where labour was not expensive. Thus, the labour force in most of the North Indian estates was recruited mostly from Bihar and Orissa, while in the estates of South India recruitment was from the plains districts of Coimbatore, Malabar and Tirunelveli.

III Classification of Tea Estates

The tea estates of India may be broadly classified as follows:

(a) Estates up to about 50 hectares are generally owned by proprietors. Some of these estates have their own factories while others sell away their green leaves to nearby tea factories.

(b) Estates over 50 hectares may be owned by proprietors who are either Indians or non-Indians. These estates generally have their own factories.

(c) There are many estates which are owned by joint-stock limited liability companies with rupee capital. They are controlled by Boards of Directors who may be Indians or non-Indians. Such companies may be either public limited or private limited.
(d) Estates owned by public limited companies with rupee capital may be managed by managing agents (having mixed Boards of Indians and non-Indians).

(e) There are estates owned by limited liability companies registered in the United Kingdom. Such companies are referred to as sterling companies.

According to the Plantation Inquiry Commission,\(^3\) whose investigation covered about 84 per cent of the total area under tea cultivation (excluding estates below 100 acres), sterling companies owned 62.9 per cent of the area, the non-Indian rupee companies 16.9 per cent and Indian rupee companies 16.2 per cent. The remaining 4 per cent was owned by proprietary concerns of which one-third was non-Indian.

IV Predominance of British Ownership

An outstanding feature of the Indian tea industry is that it is predominantly British-owned, the amount invested being about \$1890 million.\(^4\) That the industry

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originated primarily to cater to the British consumer, accounts for its present ownership and control by British interests. A typical unit of the industry took the shape of a sterling company in the U.K. owning tea plantations in India. The predominance of sterling companies continues even to this day. A sterling company having its office in London, has agents or secretaries in Calcutta to carry out the policy laid down by the Board of Directors. These sterling companies have their visiting agents. The Directors are generally guided by the reports of the visiting agents who are in most cases men of considerable planting experience.

The managing agency houses of Calcutta have also started their own tea plantation companies with rupee capital. They have either taken over the ownership of some of the estates or started new ventures of their own.

It was only in the last quarter of the nineteenth century that Indians began to evince some interest in tea industry. The first Indian tea estate, it is said, was started in 1876. The Indian share in the industry was negligible for a long time. After India achieved independence, more and more Indian tea companies have been coming into existence.
V  Concentration of Control over Production

It has been estimated by the Plantation Inquiry Commission that over three-quarters of tea production is controlled by just thirteen leading agency houses in Calcutta. Out of the thirteen, five controlled as much as 36 per cent of the production. The following are some of the leading managing agents having vast interests in tea industry:

<table>
<thead>
<tr>
<th>Managing Agents for Estates Owned by</th>
</tr>
</thead>
<tbody>
<tr>
<td>RUPEE COMPANIES</td>
</tr>
</tbody>
</table>

### NORTH INDIA

1. Anandamoysee Agency P.Ltd.  R.C.
2. Andrew Yule & Co. Ltd.  R.C. & S.C.
4. Borooahs & Associates P. Ltd.  R.C.
5. Birla Brothers Private Ltd.  R.C.
6. Chatterjee, P.C. & Co.  R.C.
7. Daga & Co. Private Ltd.  R.C.
10. Ghose, B.C. & Co.  R.C.

5 *op.cit.* p. 23.
Managing Agents for Estates Owned by
RUPEE COMPANIES
STERLING COMPANIES

NORTH INDIA

<table>
<thead>
<tr>
<th>No.</th>
<th>Company Name</th>
<th>R.C.</th>
<th>S.C.</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.</td>
<td>James Finlay &amp; Co. Ltd.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>Jardine Henderson Ltd.</td>
<td>R.C.</td>
<td>S.C.</td>
</tr>
<tr>
<td>16.</td>
<td>Lochia Brothers Private Ltd.</td>
<td>R.C.</td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>Macneill &amp; Barry Ltd.</td>
<td>R.C.</td>
<td>S.C.</td>
</tr>
<tr>
<td>18.</td>
<td>McLeod &amp; Co. Ltd.</td>
<td>R.C.</td>
<td></td>
</tr>
<tr>
<td>19.</td>
<td>Octavius Steel &amp; Co. Ltd.</td>
<td></td>
<td>S.C.</td>
</tr>
<tr>
<td>20.</td>
<td>Shaw Wallace &amp; Co. Ltd.</td>
<td>R.C.</td>
<td>S.C.</td>
</tr>
<tr>
<td>21.</td>
<td>Williamson Nagor &amp; Co. Ltd.</td>
<td>R.C.</td>
<td>S.C.</td>
</tr>
</tbody>
</table>

SOUTH INDIA:

<table>
<thead>
<tr>
<th>No.</th>
<th>Company Name</th>
<th>R.C.</th>
<th>S.C.</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.</td>
<td>Aspinwall &amp; Co. Ltd.</td>
<td>R.C.</td>
<td>S.C.</td>
</tr>
<tr>
<td>23.</td>
<td>Associated Planters P. Ltd.</td>
<td>R.C.</td>
<td></td>
</tr>
<tr>
<td>24.</td>
<td>Birla Brothers Private Ltd.</td>
<td>R.C.</td>
<td></td>
</tr>
<tr>
<td>25.</td>
<td>Duncan Brothers Private Ltd.</td>
<td>R.C.</td>
<td></td>
</tr>
<tr>
<td>26.</td>
<td>George, A.V. &amp; Co.</td>
<td>R.C.</td>
<td></td>
</tr>
<tr>
<td>27.</td>
<td>Harrisons &amp; Crossfield Ltd.</td>
<td></td>
<td>S.C.</td>
</tr>
<tr>
<td>28.</td>
<td>James Finlay &amp; Co. Ltd.</td>
<td>S.C.</td>
<td></td>
</tr>
<tr>
<td>29.</td>
<td>Kothari &amp; Sons.</td>
<td>R.C.</td>
<td></td>
</tr>
<tr>
<td>30.</td>
<td>Matheson Bosanquet &amp; Co. Ltd.</td>
<td>R.C.</td>
<td>S.C.</td>
</tr>
</tbody>
</table>
Managing Agents for Estates Owned by Rupee Sterling Companies

31. Parkins Private Ltd. R.C.
32. Péirce Leslie & Co. Ltd. R.C.
33. Srinivas Agencies. R.C.
34. Stanes, T. & Co. Ltd. R.C.
35. Tea Estates India Private Ltd. R.C. & S.C.
36. Thomas, A.V. & Co. Ltd. P.C.
37. Wallace & Co. R.C.
38. Young India Agencies P. Ltd. R.C.

In order to find out the degree of concentration, one must go beyond managerial integration and measure the level of concentration in the industry on the basis of widely adopted criteria such as the share of leading firms of managing agents in the industry's total production capacity, income, sales, assets, etc. Of the leading managing agents mentioned above, the following 14 agency houses in North India produced in 1966 the quantity of tea mentioned against each of them:

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(1) Messrs. Balmer Lawrie and Co. Ltd. 17,732,527 kgs.
(2) " Davenport & Co. (P) Ltd. 7,583,623 "
(3) " Duncan Brothers Co. Ltd. 22,589,400 "
(4) " Gillanders Arbuthnot & Co. Ltd. 10,892,145 "
(5) " James Finlay & Co. Ltd. 15,749,044 "
(6) " Jardine Henderson Ltd. 11,229,432 "
(7) " Brooke Bonds Estates India Ltd. 4,953,056 "
(8) " Doon Dooma Tea Co. Ltd. 19,615,661 "
(9) " McLeod and Co. Ltd. 5,429,315 "
(10) " Octavius Steel & Co. Ltd. 13,157,250 "
(11) " James Warren & Co. Ltd. 15,027,716 "
(12) " Shaw Wallace & Co. Ltd. 13,150,156 "
(13) " Williamson Magor & Co. Ltd. 18,470,773 "
(14) " Andrew Yule & Co. Ltd. 5,562,676 "

TOTAL 182,553,574


Total production of tea in North India in 1965 was about 280 million kgs. That is, these fourteen agency houses alone controlled about 65 per cent of tea production in North India.
Owing to the growing concentration of economic power in organised industry and the malpractices indulged in by managing agents, the Government of India passed the Indian Companies Act (1956) and the Amendment Acts (1960 and 1963). The 1956 Act heralded the institution of Secretaries and Treasurers in the place of managing agents. Section 324 of the Act empowered the Government to abolish the managing agents of any specified industry by means of a notification. The same Section provided for the reconsideration of the question of abolition or otherwise of managing agents by August 15, 1960. The fact that the Government did not abolish the system indicated that it was given a fresh lease of life. A study undertaken by the National Council of Applied Economic Research in 1959 at the instance of the Indian Chambers of Commerce recommended the continuance of managing agents on the ground that the Indian capital market had not yet developed to an extent that would reduce substantially the risks and difficulties of the corporate sector. A limited inquiry undertaken by Dr. Nabagopal Das, Director-General of the Employers' Federation of Bombay, reinforces the conclusion that the managing agency system has not outlived its utility. However, the managing agency system is abolished with effect from April 3, 1970. Consequent to the abolition
of the managing agency system, many firms are now required to apply to the Government for the first time for approval of appointment, and remuneration of managing directors who are to take over the management from managing directors. 7

An important development of recent years has been the adoption under the political pressures of decolonization of recruiting Indian nationals into the management of companies owned by non-Indians. Besides this process of "regionalization", 8 there has been an intermingling of British and Indian interests in the organised industrial sector e.g., Kanorias are closely associated with McLeods, Andrew Yule & Co. Ltd. with Jatias, Gillanders Arbuthnot & Co. with Bangurs, and Mukerjees and Banerjees with Martin Burn & Co. Ltd. Some of the British agency houses now have a large number of Indian shareholders and, in a few cases, an equal number of Indian and non-Indian members on the Board of Directors.

VI Concentration of Control over Distribution

It is not only in the production of tea that there is concentration; there is concentration in distribution

7 The Economic Times, Bombay, April 3, 1970.
as well. Tea is sold largely in the U.K. and, in many cases, through the same agents. Out of India's total export of 208.4 million kgs. of tea in 1968, export to the U.K. alone accounted for 102.0 million kgs. The sale of tea is controlled by the tea traders' associations which conduct the auctions in Calcutta and Cochin. The Committee of Calcutta Tea Traders Association consists of the four leading tea brokers of Calcutta, four nominees of the producers and four nominees of the buyers. The agency houses of Calcutta buy about half the tea auctioned in Calcutta. According to the Report of the Monopolies Inquiry Commission (1965), more than 80 per cent of the retail sale of tea (packaged) within India is in the hands of just two firms viz., Messrs. Brooke Bond and Messrs. Lipton & Co., both of which are owned by non-Indians.

9 The following are the tea distributors organisations:

1. Calcutta Tea Traders' Association, Royal Exchange, 6, Netaji Subhas Road, Calcutta 1.
There were 7 brokers in Calcutta in 1966 and the sale of tea in the Calcutta auctions through each of them was as follows during 1965-66:

<table>
<thead>
<tr>
<th>Broker</th>
<th>Chests</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Messrs. J. Thomas &amp; Co.</td>
<td>1,503,714</td>
<td>42.88%</td>
</tr>
<tr>
<td>2. Carritt Moran &amp; Co.</td>
<td>717,056</td>
<td>20.43%</td>
</tr>
<tr>
<td>3. W.S. Cresswell &amp; Co.</td>
<td>574,959</td>
<td>16.39%</td>
</tr>
<tr>
<td>4. A.W. Figgis &amp; Co.</td>
<td>505,209</td>
<td>14.41%</td>
</tr>
<tr>
<td>5. Tea Brokers (P) Ltd.</td>
<td>102,383</td>
<td>2.92%</td>
</tr>
<tr>
<td>6. Sudhir Chatterjee &amp; Co.</td>
<td>103,308</td>
<td>2.95%</td>
</tr>
<tr>
<td>7. S.K. Chakraborty &amp; Co.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>3,506,629</td>
<td>100.00%</td>
</tr>
</tbody>
</table>


Of the seven firms, Messrs. S.K. Chakraborty & Co. was not active. Messrs. J. Thomas & Co. (P) Ltd. alone sold 42.88 per cent of the total tea sales through Calcutta auctions during 1965-66.

The capital of the Indian tea industry is, thus, largely in foreign hands; production is, to a large extent,
controlled by a limited number of foreign managing agents; the export of tea is, in many cases, in the same hands; and internal distribution is controlled largely by two firms. It is no wonder, therefore, that there is a high degree of concentration.

The Monopolies Enquiry Commission submitted its report and recommendations in the form of a draft Bill in 1965. With this draft as the basis, the Monopolies and Restrictive Trade Practices Bill was presented to the Rajya Sabha in August, 1967. After nearly two-and-a-half years, the Monopolies and Restrictive Trade Practices Act was passed by the Parliament in January, 1970. The Act defines a monopolistic undertaking as "(i) a dominant undertaking or (ii) an undertaking which, together with not more than two other independent undertakings, — controls or produces at least one-half of the total supply of any good or service in India or any substantial part thereof." The concept of interconnected undertakings, as defined in the Act is important for two reasons: (a) for defining a dominant undertaking, a group of interconnected undertakings is to be treated as a single enterprise i.e., a single source of supply; and (b) the provisions of the Act relating to concentration
of economic power apply mainly to groups of interconnected undertakings — whether engaged in the same industry or not — provided the aggregate value of their assets exceeds Rs.200 million.\textsuperscript{10} The working of the Act in respect of concentration of control over production and distribution in the tea plantation industry is yet to be seen.

VII Government Control

The Tea Act of 1953 provided for the creation of the Tea Board. This new Board succeeded the Central Tea Board and the Indian Tea Licensing Committee which functioned under the Central Tea Board Act (1949) and the Indian Tea Control Act (1939) respectively. These two Acts were repealed.

The Tea Board was assigned the following functions:

(a) It shall be the duty of the Board to promote by such measures, as it thinks fit, the development of the tea industry under the control of the Government.

(b) Without prejudice to the generality of the provisions of sub-section (a) the measures referred to therein may provide for:

(i) Regulating the production and cultivation of tea.

(ii) Improving the quality of tea.

(iii) Promoting co-operative efforts among the growers of tea.

(iv) Encouraging scientific, technological and economic research.

(v) Assisting in the control of insect pests.

(vi) Regulating the sale and export of tea.

(vii) Training in tea tasting and fixing grade standards.

(viii) Carrying on propaganda to increase the sale of tea.

(ix) Registering and licensing of manufacturers, tea waste dealers, brokers and blenders.

(x) Improving the marketing of tea in India and elsewhere.

(xi) Collection and dissemination of statistics.

(xii) Securing better conditions of work and the provision and improvement of amenities and incentives to workers.

(xiii) Such other work as may be prescribed hereafter.

(c) The Board shall perform its functions under this section in accordance with and subject to such rules as may be made by the Central Government in future.
The Tea Board was formally inaugurated on April 3, 1954.

The Board consists of 40 members and a Chairman. The Chairman, a senior civil servant, is appointed by the Government of India. The Office of the Board is in Calcutta.

The forty members of the Tea Board are appointed by the Government representing:

"(a) Owners of tea estates and gardens, and growers of tea;
(b) persons employed in tea estates and gardens;
(c) manufacturers of tea;
(d) dealers including both exporters and internal tea traders;
(e) consumers;
(f) Parliament;
(g) the Governments of the principal tea-growing States;
and (h) such other persons or classes of persons who, in the opinion of the Central Government, ought to be represented on the Board."

As framed in the Tea Rules, 1954, the Board has the following Standing Committees:

(i) Executive Committee
(ii) Export Promotion Committee
(iii) Licensing Committees (a) for North India  
(b) for South India  
(iv) Labour Welfare Committee

Besides, it has the following ad hoc Committees:

(i) Ad hoc Tea Research Liaison Committee  
(ii) Ad hoc Committee for Small Growers  
(iii) Ad hoc Tea Chest Committee

Since 1959-60, the Tea Board has done some useful promotion work in some important foreign capitals. Tea Board Offices have been set up in Cairo (1959), Sydney (1960), New York (1960), London (1960), and Brussels (1963) to popularise Indian tea. However, but for organising some industrial canteens, running tea centres and buffets and participating in important exhibitions, nothing else has been done to foster the domestic market. The Development Wing of the Board has introduced (a) the Tea Machinery Hire Purchase Scheme and (b) the Tea Plantation Finance Scheme. Upto August 31, 1968, the amount sanctioned by the Board for the purchase of tea machinery was about ₹59.68 million. Tea estates covering an area of 19,745 hectares had taken advantage of the scheme. Under the Tea Plantation Finance Scheme, which
came into force in 1962, loans to the extent of Rs.62.36 million were granted till August 31, 1968. Since the loans are paid in annual instalments, the amount disbursed till the end of August 1968 amounted to only Rs.32.88 million. An estimated area of 6,000 hectares has been added under this scheme during the period 1962 to 1968. The Tea Plantation Subsidy Scheme announced by the Government of India in 1968 will have to be put into operation by the Tea Board. The Scheme is welcomed by the industry despite its limitations, but it remains to be seen how well it will be put into operation by the Board.

It is true that the Board has done some good work. But during the period of its existence it has shown its inadequacy for the functions assigned to it as the following will show:

In the first place, there is a basic confusion as to the role identification of the Board. The confusion is due to the contrary roles assigned to it. It is expected to serve at once as an instrument of Government control and as a representative body reflecting the views of the different interests forming the body. Since the industry can communicate with the Government of India only through the Board, the industry has no means of knowing the reasons for controversial decisions taken by
the Government, by whom these decisions were taken and how to correct them. This gives the impression that the executive side of the Board is inadequate and that the Government acts independently of the views expressed by the Board. It is possible for the Board to give ill-informed advice to the Government and, as things stand today, it is not possible for the industry to correct it before it is too late. In other words, the interposition of the Board between the Government and the industry has rendered direct dialogue difficult. The Memorandum submitted by the United Planters' Association of Southern India to the P.C. Borooah Committee poignantly puts it as follows:

"Creating confidence among producers is a vital precondition for the industry's development. Confidence can be restored by establishing a direct line of communication between the industry and the government. The position of the Tea Board is that, far from establishing any such relations, it acts as a contact-breaker on the line of communication. Communication through the Board is time-consuming and sometimes, a frustrating exercise."

In the second place, the Chairman of the Board and the second line administrative officers to the three key posts in the Board are appointed by the Government and

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sent to specialist areas where it takes a long time
to acquire some understanding of the industry and by the
time they acquire sufficient understanding, they may be
transferred to some other Government department.

The specialist staff do not get sufficient incentive
to work. On the other hand, there is discouragement
which impairs their usefulness. Though these officers
are appointed by the Government and are subject to
Government Servant's Conduct Rules, they do not get the
benefit of progression through Government service with
the result that they become stagnated in the Board's
service. Unless extra remuneration is offered for
specialist talent, first class talent cannot be attracted
to the Board's service.

In the third place, the unwieldy size of the Board,
consisting as it does of disparate interests, is not
conducive to studied discussions and wise decisions.
It is indeed surprising that such important subjects
like the effect of devaluation of the rupee, the
consequences of alterations in export and excise duties,
the proposals for world tea agreement and export regula-
tion, the proposal to organise a management training
institute, etc., have not found a place on the agenda of
the meetings of the Board. Vital issues are rarely discussed in depth and this is not possible due to the composition of the Board and the limitations of meeting procedure.

In the fourth place, it is now clear to those who are closely associated with tea industry and trade that India's propaganda for tea both at home and abroad has been ineffective as compared with that of her competitors.

In the fifth place, the view that the Tea Board is spending a fair proportion of its working time at meetings seeking sanction for appointments made to the Board's service which, according to Section 9 of the Tea Act, is restricted to class II, III and IV staff seems to be true. There were as many as 837 of them in 1965. A large proportion of them were being trained in the propaganda directorate, though their contribution to tea promotion was insignificant. What is worse, they are a discontented lot indulging in demonstrations and strikes. They are discontented because they are neither Government servants nor do they have the advantage of employment on commercial terms. These servants have become a source of the Board's
main concern and much of the time of the executive of
the Board is spent in administering its internal affairs.
This reinforces the conclusion that tea promotion is not
receiving the attention that it should receive.

In the sixth place, it is rather strange that when
the Parliament, the Government of India and owners of
tea plantations are concerned about the deepening crisis
in the tea industry, the Tea Board alone should be in a
complacent mood and put out statements which give a
contrary picture. In his statement published in The
Economic Times dated November 11, 1969, Mr. A.K. Roy,
Chairman of the Tea Board says, "Outlook for exports is
rather uncertain at the moment, though not discouraging."
Is not a steady decline in tea exports year after year
a matter of serious concern? Another typical instance
of the complacent attitude of the Board was its reluctance
to admit, in 1966, that India had lost to Ceylon the pride
of place as the world's largest tea exporter. Thus,
there have been many occasions when the spokesmen of the
Board have tried to cover up unpalatable facts. Instead
of covering up facts, it would be better if the Board
engages itself in positive efforts to put the industry on
a stable footing.

Finally, information about the activities of the Tea
Board is not readily available. On matters of vital importance, the public gets very little information. The administration reports of the Board are limited to official use. As a result of parliamentary criticism of the Board sometime ago, some information became available suddenly though couched in general terms. It should be realised that the statement on the activities of the Board should be readily available to all those who are interested in the tea industry. It may be pointed out here that the tea Boards of East African countries and the Tea Propaganda Board of Ceylon make known their activities without withholding any information.

The basic confusion in role identification and the institutional and functional defects need to be urgently remedied. It would help the development of the industry if the Board becomes a truly autonomous body. Under the Tea Cess Act of 1903, and the subsequent amendments of 1921, 1935, 1936, 1937, 1938 and 1939 the autonomy of the Committee or the Board set up under the Tea Act was wide and real and the Committee was an instrument by which the industry carried out those specific functions under the Act. The Committee was not interfered with nor a Government decision taken on a matter which came within the competence of the Committee. The representation of
the Committee was left with long-established and recognised producer and trade associations and provided the means by which these organisations were given a continuing sense of participation with the statutory Committee thus providing a vital link between the industry and the Government. Besides autonomy, the producer interests must be given larger representation on the Board so that the problems of the industry, which is dispersed over eight States and Union Territories consisting thousands of very small units to large corporate units, may be studied in depth. Direct and constant dialogue between the industry and the Government is of paramount importance for the development of the industry and no effort should be spared to establish this contact and create an atmosphere of mutual trust and confidence which is lacking at present. It does not mean, however, that the size of the Board should be enlarged. On the contrary, its size needs to be reduced. Representation should be given to only those interests which are directly concerned with the tea industry. Because of the multi-interest character of the Board, the decisions have to be either a compromise acceptable to all sections of the Board or the majority tends to coalesce around the official line. Both these make it difficult for a clear producer opinion to emerge or to convey the views of the producers to the Government.
It is also necessary that the important work of tea promotion is given the attention and priority that is due to it. India's tea promotion machinery is inadequate and ineffective. In the overseas market, Ceylon, India's rival, has been following a dynamic policy of export promotion as a result of which in many countries tea is being identified with Ceylon and many consumers are ignorant of the fact that India is the largest producer and that some of the best varieties of tea are being produced in Darjeeling and in the Nilgiris. India's export promotion which is being handled by officialdom is stereotyped and more often than not lacks imagination. Complacency, inefficiency and delay have been, to some extent, responsible for the declining trend in tea exports. Official policy regarding tea promotion is slow and wavering. Tea stands in need of a clear and purposeful policy backed by adequate professional skills and finance. The producers, it is true, are not experts in promotional activities but they have a vested interest of direct consequence to themselves to provide an intense and continuing interest in promotional activities. Hence, they should form the solid core of the Board.

Tea is a luxury item and it is not indispensable to life. Whatever the food and drink habits of the people
three generations ago, they have vastly changed for the succeeding generations and the present one is unfamiliar with and indifferent to food and drink habits of even two generations ago. This is becoming more and more evident in the affluent countries which have formerly been the largest markets for tropical produce, especially tea. The demand for tea in the international market is based on the sum of demand from both the new markets and the old and established ones. There has been a tendency to overlook this in official calculations about the creation of new markets. The beverage habits of most Western Europe and America are undergoing substantial changes. For instance, statistics relating to beer consumption of one of the Western countries reveal the following trend:

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumption Per Head (in Litres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>23.8</td>
</tr>
<tr>
<td>1961</td>
<td>26.4</td>
</tr>
<tr>
<td>1962</td>
<td>27.7</td>
</tr>
<tr>
<td>1963</td>
<td>31.1</td>
</tr>
<tr>
<td>1964</td>
<td>35.0</td>
</tr>
<tr>
<td>1965</td>
<td>37.2</td>
</tr>
<tr>
<td>1966</td>
<td>39.0</td>
</tr>
<tr>
<td>1967</td>
<td>44.3</td>
</tr>
<tr>
<td>1968</td>
<td>45.4</td>
</tr>
</tbody>
</table>

Milk, wine, beer, mineral waters and fruit drinks have been supported with enormous promotional efforts in most of the Western countries. Their consumption has gone up very substantially, in some cases doubling in the short period of ten years. Against such massive promotion efforts backed by fairly stable prices and sophisticated marketing procedures, tea as a weekly supported primary produce has lost largely because the promotional policies are increasingly dictated by a central system of official control and excessive reliance on routine administration.

The importance of tea to the Indian economy is well known. Surely such an important commodity as tea deserves to have a body of first rate men with talent, ability and experience who can be entrusted with the task of tea promotion.

While the tea cess may continue to be collected by the Government, the proceeds of the cess minus the collection charges must be credited to the Tea Fund account to be spent by the Board in accordance with the sanctioned budget. The present system of allocating funds to the Board through the Consolidated Funds of India is not desirable and needs to be revised.
Tea being a highly specialised subject, it would be to the advantage of the Tea Board to have a permanent Deputy Chairman. At present, the Deputy Chairman is a Government official whose services are placed at the disposal of the Board for a temporary period and he may be transferred at the end of the prescribed period. It would be better to empower the Board to appoint a Deputy Chairman by open selection. Further, the post must be permanent, subject to satisfactory service of the incumbent.

The tenure of the Chairman of the Board should be at least five years.

For its efficient working, the Board must have complete control over its staff and activities including those abroad.

VIII Voluntary Associations of Tea Producers

The tea industry is one of the few well organised industries of India. Voluntary associations of tea planters (proprietors and companies) have played an

12 List of Associations of Tea Producers in India

1. Anamallai Planters' Association, Valparai P.O., Tamil Nadu

(Contd.)
important role in improving the conditions in member-
estates. Tea planters of the different regions have

2. Assam Tea Planters' Association, Jorhat 1, Assam
3. Association of Planters of Kerala, Muttambalam, Kottayam 4, Kerala
4. Bharatiya-Cha-Parishad, 62, Ballygunge Circular Road, Calcutta 19
5. Central Travancore Planters' Association, Vandiperiyar P.O., Kerala
6. Coorg Planters' Association, P.B.No. 15, Mercara, Mysore State
7. Dehra Dun Tea Planters' Association, P.B.No.10, Midford House, Dehra Dun
8. Indian Tea Planters' Association, P.B.No.74, Jalpaiguri, West Bengal
9. Indian Tea Growers' Association, Silchar, Assam
10. Indian Tea Association, 6, Netaji Subhas Road, Calcutta 1
11. Kanan Devan Planters' Association, Mattupatti, High Range, Kerala
13. Kangra Valley Small Tea Growers' Association, Bajnath P.O., Kangra, Punjab
14. Kanyakumari Planters' Association, Ramavarmapuram, Nagercoil, Tamil Nadu
15. Malabar Planters' Association, Malabar, Kerala
16. Mundakayam Planters' Association, Mundakayam P.O., Kerala
17. Mysore Planters' Association, P.B.No.16, Chickmagalur, Mysore State

(Contd.)
organised themselves into voluntary associations in order to safeguard their interests and to effect improvements by their collective effort. These associations have played a significant role in formulating common policies, arranging on a common basis supplies of essential articles like fertilizers, machinery, etc. Their achievements in the field of research by collective effort are

16. Nelliampathy Planters' Association, Nelliampathy P.O., Kerala


20. Nilgiri Planters' Association, Kodanad, Kotagiri P.O., The Nilgiris, Tamil Nadu

21. Planters' Association of Tamil Nadu, 'Kanowrie', Kotagiri Road, Coonoor, Tamil Nadu

22. Surma Valley Tea Planters' Association, E-3, Gillander House, Calcutta

23. Terai Tea Planters' Association, Matigara P.O., Darjeeling District, West Bengal

24. Tea Association of India, India Exchange, Calcutta 1

25. Tripura Tea Association, Tripura, Assam

26. United Planters' Association of Southern India, Coonoor, Tamil Nadu

27. Wynaad Planters' Association, Chundale P.O., Wynaad, Kerala
by any standard invaluable. The research centre at Tocklai (Assam) is a symbol of what collective effort can achieve.\textsuperscript{13}

The history of some of these associations is the record of the tea industry itself. Among them, for instance, the Mysore Planters' Association founded in 1864, the Indian Tea Association in 1880, the United Planters' Association of Southern India in 1893, and the Indian Tea Planters' Association (1915) are major associations having continuous existence as representative organisations of the industry nearing half-a-century or more. Though the Assam Tea Planters' Association, the Tea Association of India and the Bharatiya-Cha-Parishad are of more recent origin, they cover together with the older associations almost the entire industry. Hence it is of utmost importance that these representative associations must be consulted by the Government in the decision-making process affecting the industry. The need to consult the producers' associations is all the more because they have different views on the problems based on the background of their individual experience.

\textsuperscript{13} Please see Appendix 1 for detailed information regarding the work of Tocklai Experimental Station.
The Indian tea industry is far-flung, its problems complex, and the prospects before a producer change rapidly with the weather, with a change in prices or crops, a labour strike or the shortage of a critical supply. What producers require is a sense of stability and continuity and evidence of logical reasoning, linking a problem to its eventual decision. Writing about the role of agricultural policy in economic development, Earl O. Heady emphasises the same point.14 Constant dialogue between the Government and the industry is, therefore, of immense importance as that would afford a better opportunity to understand the problem from both the viewpoints.

Unfortunately an impression has been created among the producers' associations that the Government is reluctant to take them into confidence on major issues of tea policy, to consult them or to discuss with them matters affecting the industry. There is a widely prevalent feeling among the associations that the Government tends to suspect their views, assuming such views to be tainted by self-interest. Sometimes, ad hoc decisions have been taken and important problems have been arbitrarily disposed of.

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The atmosphere of suspicion has prevented the Government from consulting the industry freely on matters of vital importance. The result is that a certain amount of disturbing instability and unpredictability of the decision-making process is felt by the industry. Free and direct contact between the Government and the industry, especially in matters relating to labour, taxes, marketing, etc., is the only way of creating confidence.

IX Small Units in Indian Tea Industry

Objectives

The objectives of this note on small units are:
(i) to focus the attention of policy makers on the relative insignificance of small holdings in the Indian tea economy; (ii) to spotlight the backward cultural practices of small units; and (iii) to draw the attention of the Government and the Tea Board to the need for a comprehensive and co-ordinated scheme to help the owners of small units.

(i) Number, Acreage and Production of Small Units

Tea estates upto 50 hectares are considered to be small units. In recent years, the small grower section has been increasing in number as well as in area as can be seen from Table 27.
TABLE 27

AREA AND NUMBER OF SMALL TEA ESTATES IN INDIA IN 1962 AND 1968
(area in hectares)

<table>
<thead>
<tr>
<th></th>
<th>1962</th>
<th>1968</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Estates</td>
<td>Area</td>
</tr>
<tr>
<td>NORTH INDIA:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assam</td>
<td>128</td>
<td>3,112.70</td>
</tr>
<tr>
<td>West Bengal</td>
<td>17</td>
<td>324.10</td>
</tr>
<tr>
<td>Tripura</td>
<td>9</td>
<td>233.14</td>
</tr>
<tr>
<td>Bihar</td>
<td>1</td>
<td>42.44</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>19</td>
<td>325.09</td>
</tr>
<tr>
<td><em><em>Total</em> — North India</em>*</td>
<td>174</td>
<td><strong>4,082.51</strong></td>
</tr>
</tbody>
</table>

SOUTH INDIA:

<table>
<thead>
<tr>
<th></th>
<th>1962</th>
<th>1968</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kerala</td>
<td>1,890</td>
<td>2,275.05</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>4,970</td>
<td>6,565.36</td>
</tr>
<tr>
<td>Mysore</td>
<td>5</td>
<td>102.10</td>
</tr>
<tr>
<td><strong>Total — South India</strong></td>
<td>6,865</td>
<td><strong>10,940.51</strong></td>
</tr>
</tbody>
</table>

**Total — All India** | 7,039        | 14,993.02     | 8,292         | 16,443.58

**NOTE:**

(i) Excluding Kangra and Mandi.15

(ii) Area as on March 31, 1962, and March 31, 1968.


15 According to the Report of the Plantation Inquiry Commission, 1956, Part 1, Tea, p. 238, there were 1,115 small estates in Kangra and 225 in Mandi.
Between 1962 and 1968 the number of small units increased by 1,253 and the increase in area was 1,450.56 hectares. Despite the increase in area, the share of the small grower section as a percentage of the total output of tea in India in 1966 was a meagre 3.96 per cent which fact makes the small holdings an insignificant part of the industry.¹⁶

Out of the total of 8,292 small units in India in 1967, 8,116 were in South India. Table 28 shows the number and area of small units in each tea district of South India:

## TABLE 26

**AREA AND NUMBER OF SMALL TEA ESTATES IN THE DIFFERENT TEA DISTRICTS OF SOUTH INDIA IN 1968**

<table>
<thead>
<tr>
<th></th>
<th>Upto 5 Hectares</th>
<th>Above 5 Hectares and below 50 Hectares</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Estates</td>
<td>Area in Hectares</td>
</tr>
<tr>
<td>Kerala:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cannanore</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ernakulam</td>
<td>11</td>
<td>12.16</td>
</tr>
<tr>
<td>Kottayam</td>
<td>2,210</td>
<td>1,299.80</td>
</tr>
<tr>
<td>Kozhikode</td>
<td>1</td>
<td>0.97</td>
</tr>
<tr>
<td>Palghat</td>
<td>1</td>
<td>4.07</td>
</tr>
<tr>
<td>Quilon</td>
<td>82</td>
<td>98.43</td>
</tr>
<tr>
<td>Trichur</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trivandrum</td>
<td>1</td>
<td>3.17</td>
</tr>
<tr>
<td>Total - Kerala</td>
<td>2,306</td>
<td>1,418.60</td>
</tr>
</tbody>
</table>

| Tamil Nadu:          |                 |                   |               |                  |
| Coimbatore           | -               | -                 | 1             | 39.25            |
| Kanyakumari          | 1               | 2.01              | 3             | 66.08            |
| Nilgiris             | 5,373           | 5,399.33          | 323           | 3,663.25         |
| Tirunelveli          | 1               | 4.05              | -             | -                |
| Total - Tamil Nadu   | 5,375           | 5,405.39          | 327           | 3,768.56         |

| Mysore:              |                 |                   |               |                  |
| Chickmagalur         | 2               | 4.81              | 5             | 84.55            |
| Coorg                | -               | -                 | -             | -                |
| Hassan               | -               | -                 | -             | -                |
| Total - Mysore       | 2               | 4.81              | 5             | 84.55            |

**NOTE:** Figures relate to as on March 31, 1968.

Of the 8,116 small units in South India in 1968, 7,985 were in the two districts of Kottayam (Kerala) and the Nilgiris (Tamil Nadu). In other words, about 98 per cent of the small units in South India were concentrated in just two districts. As compared with the all-India total (excluding Kangra and Mandi), these two districts of South India alone accounted for 96.5 per cent of the small units of India.

The small units vary widely in size. There are units as small as just a fraction of an acre. At the other end, there are some estates as big as 50 hectares (about 120 acres). In between, there are units of varying sizes.

A vast majority of the small units are owned by individuals. Some of the bigger among the small units are owned by private limited liability companies.

**Yield**

The yield per hectare of the small units is dismally low as compared with that of estates above 50 hectares. This is borne out by the figures in Table 29:
<table>
<thead>
<tr>
<th>Year</th>
<th>Upto 5 Hectares</th>
<th>Above 5 Hectares</th>
<th>Above 50 Hectares</th>
<th>Above 100 Hectares</th>
<th>Above 200 Hectares</th>
<th>Above 400 Hectares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956-57</td>
<td>645</td>
<td>235</td>
<td>688</td>
<td>801</td>
<td>911</td>
<td></td>
</tr>
<tr>
<td>1957-58</td>
<td>711</td>
<td>593</td>
<td>780</td>
<td>938</td>
<td>1,049</td>
<td></td>
</tr>
<tr>
<td>1958-59</td>
<td>645</td>
<td>600</td>
<td>800</td>
<td>994</td>
<td>1,102</td>
<td></td>
</tr>
<tr>
<td>1959-60</td>
<td>586</td>
<td>548</td>
<td>717</td>
<td>1,465</td>
<td>1,051</td>
<td></td>
</tr>
<tr>
<td>1960-61</td>
<td>128</td>
<td>556</td>
<td>731</td>
<td>1,013</td>
<td>1,152</td>
<td>1,081</td>
</tr>
<tr>
<td>1961-62</td>
<td>N.A.</td>
<td>447</td>
<td>725</td>
<td>1,148</td>
<td>1,177</td>
<td>1,052</td>
</tr>
<tr>
<td>1962-63</td>
<td>N.A.</td>
<td>368</td>
<td>713</td>
<td>1,078</td>
<td>1,086</td>
<td>1,015</td>
</tr>
<tr>
<td>1963-64</td>
<td>N.A.</td>
<td>482</td>
<td>809</td>
<td>1,164</td>
<td>1,316</td>
<td>1,167</td>
</tr>
<tr>
<td>1964-65</td>
<td>N.A.</td>
<td>388</td>
<td>693</td>
<td>1,081</td>
<td>1,201</td>
<td>1,063</td>
</tr>
<tr>
<td>1965-66</td>
<td>N.A.</td>
<td>321</td>
<td>827</td>
<td>1,203</td>
<td>1,376</td>
<td>1,253</td>
</tr>
</tbody>
</table>

NOTE: N.A. - Not available.

Problems of Small Units

Most of the problems of small holdings arise from the fact that they are too small in size. Their resources are meagre and consequently their yield is low. A large number of small growers of the Nilgiris District of Madras State are indebted to 'bought-leaf factories' because of the advances taken by the former. Against the advances, small growers are required to sell their crops to the factories at prices arbitrarily fixed by them. The price paid by the 'bought-leaf factories' is invariably much lower than the auction prices at Cochin or Coonoor. Similarly, in Kangra District the small units are largely dependent for their finance on merchants who buy the tea of these units. The general complaint here is that the rates of interest are exorbitant and that the small growers are being exploited by the merchants. The former do not get the advantage of competitive market prices. In Uttar Pradesh particularly and, to a lesser extent, in the Nilgiris District, small estates are sometimes leased out for years by the needy producers who get lumpsum amounts to pay off old debts, to celebrate social and religious ceremonies, etc.

17 'Bought-leaf factory' is a tea factory which buys from small growers either its entire requirements of green leaves or a part of its requirement. Many of the 'bought-leaf factories' do not own even an acre of tea. Some of them own estates but they are too small to feed the factories fully.
Such units generally get deteriorated in course of time because what the lessee wants is to get the maximum out of the unit within the limited period of contract. He is not in the least interested in the improvement of the field. In the course of their evidence before the Plantation Inquiry Commission, the Government of Uttar Pradesh observed as follows:\textsuperscript{18}

"The lessee often neglects to pay proper care on the maintenance of the garden and at the expiry of the lease period the garden was left in a withering condition. The garden withers out if hoeing were not made regularly."

The 'bought-leaf factories' are generally owned by individuals or partners. Some of them are owned by private limited liability companies. Almost all of the 'bought-leaf factories' are small in size, some of them being no bigger than a shed of about 70 ft. by 40 ft. They are ill-equipped, with machinery bought second-hand. It is not uncommon for them to spread the green leaves on tin roofs for withering. Processing is haphazard and imperfect. The green leaves which come to the 'bought-leaf factories' are, more often than not coarse. No wonder, the quality of tea manufactured

by them is substandard and the product is sold in the internal market at low prices. In Kangra (Punjab) and Mandi (Himachal Pradesh), the small holders make 'green tea' with the help of small ovens, otherwise known as 'chulas', and hand implements.

The productive efficiency of the small holdings and the quality standards of tea produced thereon suffer largely because of the following reasons:

(i) The planting material used is sub-standard. Many of the small growers are not even aware of the vast progress made in this direction by the Tocklai Experimental Station in Assam and the UPASI Scientific Department in Tamil Nadu. When the seeds used are of an inferior quality, needless to say that the yield of the unit suffers.

(ii) Standard cultural practices are rarely followed by the small growers. Most of the small units do not get adequate quantities of chemical fertilizers, chiefly because of lack of finance. Hard-pressed for money as the small growers generally are, they have to depend on the owners of 'bought-leaf factories' for finance to buy their manurial requirements. Finance may not be forthcoming in adequate amounts or at the right time. Weeding
and pruning are not scientifically done. A certain amount of skill and experience is required for pruning. Either skilled workers are not available in the village or small units cannot afford the wages demanded by the skilled workers. Therefore, pruning is done by the owner and members of his family. Coarse plucking is a common feature with small units. Needy as the small growers are, they pluck the leaves even before they are ready for plucking.

(iii) Processing of the leaves in the 'bought-leaf factories' is very inferior to that in modern factories. Being small in size, they do not have adequate space for withering; as they cannot afford to buy and expensive modern machinery, roll-breaking, fermentation (or oxidation)are imperfectly done; drying or firing leaves much to be desired; and hardly is there any grading. Most of these factories produce only two grades viz., fannings and dust. The product is generally packed in gunny bags and sent to nearby markets for consumption within the country.

(iv) In the Nilgiris District there are more small factories than what the small units can feed. Starting from Mel-Kundah if one drives along the road to Kil-Kotagiri,
a distance of about 50 miles, one can see on the roadside at least 50 small factories, most of them being 'bought-leaf factories'. The existence of such a large number of factories sometimes leads to unhealthy competition in order to procure sufficient green leaves. The result is that many of these factories have no work for quite a few days in the month.

**Government Assistance to Small Producers**

In recent years, the policy of the Government has been one of active encouragement and assistance to the small growers through the Tea Board. They have been receiving assistance also from the State Governments. The following are some of the important measures undertaken to help the small growers:

1. Co-operative tea factories have been inaugurated at a cost of £.3 million\(^{19}\) with a view to buy the green leaves of small units. These factories are sponsored and subsidised by the Tea Board. The introduction of heavily subsidised and State-sponsored co-operative factories has led to the following results:

(a) On the one hand, there is to some extent competitive bidding for green leaves which has enabled the small growers to realise higher prices for their green leaves.

(b) On the other hand, competitive bidding for green leaves has led to the acceptance of coarse leaves, thereby bringing down the quality and value of manufactured tea. The economy of the 'bought-leaf factories' has thus been made worse than what it was before the inauguration of the co-operative tea factories. As a matter of fact, many of the 'bought-leaf factories' in the Nilgiris District have been closed down.

(2) In the Nilgiris District, the co-operative tea factories are exempted from payment of the basic excise duty to the extent of 10 per cent and from the entire special excise duty. The 'bought-leaf factories' are exempt only from the special excise duty. These concessions are applicable only to the co-operative and 'bought-leaf factories'. In other words, factories which have their own estates and which do not buy green leaves are not eligible to these concessions.

(3) Both subsidies and loans have been granted for the purchase of fertilizers.
(4) Since most of the small units are very small in size, they are outside the scope of Plantation Labour Act and the provisions of other labour enactments. In fact, rarely do they employ hired labour.

(5) Most of the small growers do not have sufficient incomes to attract either income tax or agricultural income tax assessments.

**An Assessment of Government Policy**

Apart from the sympathy expressed for the unenviable economic condition of the small growers, there does not seem to be any conceptual unity in the approach of the Government to the problems of the small units. The various measures of assistance extended by the Government tend to make the small growers' economy tolerable instead of providing them with the conditions for advancement from small holding to an economic holding with yield and quality levels comparable with those of the bigger producers in the same district.

The problems of the small growers need to be viewed with sympathy and dealt with on sound economic lines and not as an extension of political objectives. Appeasement of the small producers with concessions here and there
will not amount to dealing firmly and boldly with their problems. If the aim is to clearly increase the productive efficiency of the small units and to bring the quality of their tea to compare favourably with those of the larger estates in the same district, this can only be achieved by an integration of development assistance from the planting of tea to the processing of the crops in the factories. The small holding can be helped without undermining the large number of 'bought-leaf factories' engaged in the manufacture of the small growers' crop, if an independent Authority is set up on the lines of the small grower scheme for rubber in Malaysia or the Kenya Tea Development Authority.

There is no doubt that public policy towards the tea plantation industry has resulted in encouraging the growth of small units. The introduction of a large number of taxes on tea plantations, the limitations imposed by land ceiling legislation and private forest regulations, and the extension of a comprehensive and expensive labour welfare scheme (unrelated to productivity) to large units have had an unfavourable effect on the number and area of such units. The future of the tea

20 Please see pp. 158-62 of this dissertation.
industry, therefore, must be judged from the obvious impact of Government policy on large units. Neither the number nor the aggregate acreage under large estates is likely to increase in the days to come. It is possible that some of them may merge or consolidate. In any case, it appears that the tea industry during the next decade will tend to reflect more markedly the policy of the Government during the last quarter century. In all probability, tea will tend to become more and more a small grower crop, eventually the representative size becoming more or less the same as peasant holdings in other crops.

If the future of the industry is going to be dependent on the small grower section, it is important that we should know much more about their agricultural practices, their standards of economic performance as a whole and their adaptability to new ideas and innovations. Will the yield per hectare increase, the costs fall, provide labour with steady work at decent wages, produce quality tea for the export market and yield more revenues to the exchequers of the Union Government and the Governments of the tea-growing States?

As the size of the holdings becomes smaller, it is clear that it will become more dependent on the labour
of the small growers' family. Reliance on hired labour is bound to diminish. In other words, the present labour force on tea plantations is likely to become smaller. The gross earnings of a small unit are generally below the taxable level. So far, the small units have not shown any marked propensity to achieve yield levels comparable with those of large units in the neighbourhood. One seldom sees a unit that is producing what it should.\(^21\)

*Tea Industry and Public Policy*

The totality of public policy has been directed, as will be revealed by a dispassionate analysis, towards encouraging small units and sustaining their existence against nominal efficiency. The normal commercial and fiscal factors and labour policies applying to tea plantations are wholly subsidiary to what appears to be the objective of the Government of keeping peasant holdings in the private sector and taking over the large-scale plantations in the public sector.

The wisdom of such a policy is doubtful. Is the

policy the result of objectives carefully considered and reduced to a precise goal-reaching procedure? The
vaccillating attitude of the Government in regard to the important problems facing the industry indicates lack of
precise direction. Public policy towards the tea industry has depended upon Governments' needs of revenue,
foreign exchange, response to labour and political pressures, irrespective of economic considerations. The
consequences flowing from this attitude of the Government are likely to dominate the industry during the next
ten or fifteen years and they may not be reversible thereafter.

The tea industry is essentially a plantation industry. To be profitable, a tea estate must be large enough to
allow exploitation of large-scale economies. The survival and progress of the tea industry, as we have
known it for over a century, will now depend upon the reorganization and consolidation of the units into larger
undertakings. If the costs of management and other services are to be reduced, if qualified specialists are
to be employed in the field and in the factory, if the available land is to be used in the best possible manner,
and if market opportunities are to be exploited more skillfully, it is essential that the size of the unit must be large.  

X Uneconomic Units

Tea estates which have closed down are sometimes referred to as uneconomic. The assumption in certain quarters is that these estates have become uneconomic chiefly because of mismanagement. While standards of management do vary and mismanagement may, in certain cases, be responsible for deterioration, the influence of mismanagement is, in fact, negligible. Actually, there are many estates which are just able to make both ends meet and which have not made any profits over a period of years.

It is a well-known fact that basically the Indian tea industry is one of the well-organised industries in the country. However, as in any industry, the economic prosperity of different units varies widely and for reasons quite beyond the control of the management,

however efficient. The two main factors which are responsible for the prosperity of a tea plantation are (i) the yield per hectare and (ii) quality of the product. These two factors differ from estate to estate on account of the following reasons:

(a) geographical location,
(b) climatic conditions and, in some areas, deteriorating conditions with declining rainfall owing to deforestation and such other reasons,
(c) difference in soil,
(d) soil erosion arising from floods or from changes in the course of rivers,
(e) progressive deterioration in the drainage pattern caused by earthquakes, deforestation, etc.,
(f) variations in the age of estates (estates vary in age from 5 years to 150 years and a replanted estate, particularly those that are replanted for the second or the third time, can hardly produce the same yields or quality as a young estate on virgin soil), and
(g) variation in the size of estates and the availability of land for extension.

All these clearly show that there is wide variation in the inherent profit potential of estates, and the less
profitable of these are obviously the more susceptible to economic pressures from other directions. The following are some of the important reasons which induce progressive deterioration in the economic conditions of tea plantations:

(a) rising cost of production due to inflationary pressures;

(b) rising cost on account of the provision of statutory amenities specified in the Plantations Labour Act which constitute the most comprehensive labour welfare scheme for any industry in the country;

(c) excessive taxation by the Centre and the States; and

(d) the fact that sale prices have not risen to the same extent as the rising burden of expenditure and, in fact, have been declining for a period of several years.

The economic effect of these factors is cumulative and leads to the debilitation of the plantation due to its inability to replace over-aged tea plants and machinery.

The Tea Board undertook a survey of a number of uneconomic plantations in 1965 and for this purpose it defined an uneconomic plantation as one (a) with little or no profits during the past five years; (b) in which a major portion of the plants are over-aged requiring
replanting; (c) in which the factory buildings and machinery are mostly old and obsolete; and (d) in which the yield and the sale prices are below the district level. For certain reasons, it was not possible for the Tea Board to include the plantations of South India. The survey, which was published in the form of a report, disclosed that under the criteria laid down 171 tea plantations comprising 39,700.41 hectares of tea could be considered uneconomic. That is, approximately 16 per cent of the tea plantations of North India is uneconomic. Since the figure relates to 1966-67, the present uneconomic area must be more because of the steep decline in sales realization following the devaluation of the sterling and the Ceylonese rupee.

The deteriorating condition of the uneconomic tea plantations can be checked to a considerable extent by fiscal reliefs like abolition of the export duty and reduction of the rates of excise duty. In this connection the Borooah Committee has made the following suggestions:23

"(i) Although loan schemes are available for the development of the industry and although there is a limit to the indebtedness that a

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company/estate may incur with prudence, we feel that if loans were made on liberalised terms, the uneconomic estates would certainly avail of them. By liberalised terms we mean special loans made by the Government either directly or through the Tea Board, which would be interest free. It should, however, examine these uneconomic estates and recommend that the estate/company is capable of economic recovery and is not beyond reclamation. For assessing this, a panel of experts may be appointed by Government, in consultation with the Tea Board, to examine these uneconomic estates and to recommend measures, which may be taken for their rehabilitation. On the basis of their recommendation and on the managements agreeing to implement them, the interest free loans may be granted under specified terms and conditions. These should include a stipulation that the management will not distribute or otherwise appropriate any portion of the profits of the estate until such time as the loan has been repaid."

"(ii) These recommendations apply equally to estates in Darjeeling and in North Bengal which have suffered from the recent flood disaster."

There are some who advocate that the Government should take over the uneconomic estates which have closed down or, likely to close down. It is clear that such a step will not help the situation. Government officials cannot bestow the care and attention which a tea plantation demands. Says the Borooah Committee Report, 24 "An instance was brought to our notice where a tea estate placed under the control of the Court of Wards,

24 op.cit. p. 23.
deteriorated in the course of years to such an extent that it could not find a buyer, even till now." It may be noted that producers will not allow their property to deteriorate if they can help it. Besides, as an industry in the private sector, the tea industry has discharged its responsibilities pretty well despite heavy odds. Finally, the take-over of tea plantations under Government management is no solution to the problem of uneconomic units. Almost all the estates that are uneconomic have become so not because of mismanagement but because of reasons beyond the control of the management. In many cases the plantations have become uneconomic because of soil erosion or exhaustion of the soils and in others because the wrong variety of bushes were chosen or the wrong site was selected at the beginning. Some of these plantations would probably die out slowly and perhaps in the interest of the health of the tea industry it would be good to allow them to die out.