CHAPTER 1
RESEARCH DESIGN OF THE DISSERTATION

I Purpose of the Study

This study was carried out with a view to focusing the spotlight on the importance of the tea industry to the national economy of India and to bring out clearly and in an integrated manner the difficulties which the industry is facing on account of public policy. Foreign exchange is of utmost importance to the developing economy of India. Industrialization necessitates the import of machinery, spares, components, technical assistance, etc., for which foreign exchange is required. Even for the import of foodgrains, which India requires so badly, foreign exchange is necessary. The tea industry ranks second among the foreign exchange-earners of India. In a country where unemployment and underemployment are mounting year after year, the tea industry gives gainful employment to almost a million people directly and an estimated 10 million people indirectly.

is an important source of revenue to the Union Government as also to the Governments of the principal tea-growing States viz., Assam, West Bengal, Kerala and Tamil Nadu where tea is being grown on an extensive scale. The total amount of taxes paid by the industry under the main heads is approximately Rs. 720 million per annum.\(^4\) In addition, the tea industry sets an example to the peasant or subsistence sector of the Indian economy how cultivation on modern scientific lines can revolutionise agricultural methods and lead to spectacular increase in output. Increasing the productivity of agriculture is of utmost importance in developing countries like India. Says E. Staley, "Improvement in the productivity of agriculture is one of the most solid means of promoting industrialisation; in fact unless agriculture does modernise substantially, industrial development in most underdeveloped countries is likely to be cut short for want of markets, for the great majority of the population will not have the necessary purchasing power."\(^5\) Briefly, the existence of an export industry of major dimensions and high levels of productivity in the plantations sector is of considerable significance.

\(^4\) Deccan Herald, Bangalore, April 5, 1969.
For these reasons, the tea industry needs to be developed and expanded on a plantation scale. However, after a careful study of the industry in all its aspects, one comes to the conclusion that there is a certain amount of indecisiveness, contradiction, and lack of co-ordination in Government policy which are acting as disincentives to the growth of the industry and the expansion of the market for tea abroad. The following two examples, among others, should suffice to substantiate this observation:

(i) In moving the Tea Bill on December 19, 1952, the Minister for Commerce and Industry stated in the Parliament:

“Our internal consumption of tea is less than a third of our production. This is an unsatisfactory position. Our dependence on foreign exports in respect of this industry, is more than it should be. Even with the inadequate knowledge that I have, internal propaganda methods are extremely unsatisfactory.”

Government policy both in regard to the export of tea and internal propaganda today provides a good example of contradiction to the policy enunciated in the Parliament

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at the time when the control over overseas propaganda and the whole Tea Board was being entrusted in Government hands by the Bill then proposed. The subordination of the export market to a policy of domestic market expansion was reflected in the withdrawal of India from the International Tea Market Expansion Board (I.T.M.E.B.) in 1953, the levy of an export duty on tea, and the suspension of propaganda in important overseas markets. These measures displayed a certain amount of neglect of tea as an export industry. During this period the domestic market was given considerable encouragement. This can also be seen from the expenditure on internal propaganda.

<table>
<thead>
<tr>
<th>Year</th>
<th>Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955-56</td>
<td>2,147,370</td>
</tr>
<tr>
<td>1956-57</td>
<td>2,158,160</td>
</tr>
<tr>
<td>1957-58</td>
<td>2,428,440</td>
</tr>
<tr>
<td>1958-59</td>
<td>3,464,500</td>
</tr>
</tbody>
</table>

*Sanctioned estimate

7 The Budget proposals for 1970-71 abolishes the export duty on tea but increases the excise duty. (Refer Appendix 7). This dissertation was completed before the Budget proposals for 1970-71 were announced.

8 The Case for Tea, op.cit. p. 73.
Then came a period of slow and hesitant reversal on the domestic market and the internal propaganda budget began to shrink.

<table>
<thead>
<tr>
<th>Year</th>
<th>Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1959-60</td>
<td>2,016,004</td>
</tr>
<tr>
<td>1960-61</td>
<td>1,345,208</td>
</tr>
<tr>
<td>1961-62</td>
<td>1,432,677</td>
</tr>
<tr>
<td>1962-63</td>
<td><strong>1,596,100</strong></td>
</tr>
</tbody>
</table>

*Sanctioned estimate

The decline in expenditure on internal propaganda became more marked and unmistakable as can be seen from the following figures:

<table>
<thead>
<tr>
<th>Year</th>
<th>Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964-65</td>
<td>606,531</td>
</tr>
<tr>
<td>1965-66</td>
<td>689,690</td>
</tr>
<tr>
<td>1966-67</td>
<td>625,303</td>
</tr>
<tr>
<td>1967-68</td>
<td><strong>670,000</strong></td>
</tr>
</tbody>
</table>

*Estimates sanctioned

(ii) Lack of co-ordination between the policy of the Union Government and those of the States is illustrated by the following example:
In the Tea Act of 1953 it is said:

"2. Declaration as to expediency of control by the Union: It is hereby declared that it is expedient in public interest that the Union should take under its control the tea industry."\(^9\)

The experience of all those who are interested in the tea industry is that the Union Government has not been able to exercise any authority over State Government policies affecting the development of the industry. In fact, the United Front Ministry led by the Marxist Communist party in Kerala developed a well-worked-out confrontation process with the Union Government over wage-fixation in the plantations of that State. The Marxist Communist party always found a very powerful issue in projecting before the people of Kerala that through the plantation industries, the State earned for the entire country a large sum of foreign exchange. Therefore, the State Government put forth its claim that the Union Government should make adequate supply of rice available, failing which it should be allowed to import rice directly from abroad. This, as a corollary, would mean that they would be making use of the foreign exchange they earn.

\(^9\) op.cit. p. 19.
Secondly, the Government of Kerala did its worst in November, 1968, when it raised the minimum wage rates for plantation workers by a notification. The wage rates before and after the notification are shown in Table 1.  

**Table 1**

**Kerala—Minimum Time Rates of Wages Fixed for Plantation Workers in Estates Above 100 Acres (or 40.5 Hectares)**

<table>
<thead>
<tr>
<th>Plantation Wage plus D.A. as on 1-3-1968</th>
<th>According to Kerala Government Notification</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Basic Wage</td>
<td>D.A.</td>
</tr>
<tr>
<td></td>
<td>Rs.</td>
<td>Rs.</td>
</tr>
<tr>
<td>Men</td>
<td>1.72</td>
<td>3.50</td>
</tr>
<tr>
<td>Women</td>
<td>1.91</td>
<td>3.39</td>
</tr>
</tbody>
</table>

*Note: 'D.A.' stands for Dearness Allowance.*

It may be argued that in relation to the prevailing agricultural wages in Kerala, the wage rates fixed for plantations are not unduly high. Actually, the daily wages rate for agricultural labour (male) was Rs.2.12. (E. Sahoo, “Trends in Wages and Earnings of Agricultural Labourers in India since 1950”, The Indian Journal of Commerce, Lucknow, September 1969, p. 39.)
workers get many other fringe benefits which are not available to agricultural labour. Free housing, medical aid, holidays with wages and provident fund contributions are some of them. From the labour point of view this almost doubling of wages was welcome, but on a close view it would be found to be superficial. At the new wage rates many tea estates would have to run at a loss and ere long they would be forced to close down.

The wages of workers in the tea and coffee plantations are covered by an award of the All-India Wage Board. It had been accepted by trade unions and employers that the wages determined in the year 1966 would be applicable till 1971 as per the award, unless there was a bi-partite settlement in the meantime. The manner in which the Kerala Government altered the provisions of a prevailing award of the Union Government-constituted Wage Board amounts to nothing short of bullying simultaneously the Union Government and the planters. The notification was intended primarily to convey to the plantation workers of Kerala that the United Front Ministry led by the Communist Marxist party was their best friend compared with the "Capitalist-oriented Union Government and its Wage Board."\textsuperscript{12}

\textsuperscript{12} The Economic Times, op.cit.
These two instances highlight the contradiction and the lack of co-ordination in public policy between the Union and the States and there has been no change of major dimensions in public policy even to this day. But, says U. Nyum, Executive Secretary of the ECAFE, "It is the responsibility of the Government of each country to promote development by means of rational planning and regional co-operation, which will indicate the trend of action and ensure greater consistency."\(^{15}\)

Targets for production and export of tea for the Fourth Five Year Plan have been fixed at 460 million kgs. and 250 million kgs. respectively for 1973-74\(^{14}\) and this study concerns itself with the measures that should be adopted by the Government and the industry to increase the production of tea to this level.

This dissertation attempts at pointing out these and various other defects in Government policy with suggestions for correction and improvement so that India

\(^{13}\) ECAFE, Feasible Growth and Trade Gap Projections in the EOAPE Region, Bangkok, 1968, p. ix.

\(^{14}\) Fourth Five Year Plan, Government of India, New Delhi, 1969, p. 56.
may retain her pre-eminent place as the largest producer and regain her place as the world's largest exporter of tea.

II The Time-Frame

The study is primarily concerned with the period 1951 to 1968, though where necessary public policy and its impact on tea industry prior to 1951 are also dealt with.

From time to time, the problems of tea industry have been studied by Commissions and Committees appointed by Government, the Reserve Bank of India and some individuals. Some studies have also been made by tea planters' associations. But, most of these are either inadequate or biased. The Report of the Plantation Inquiry Commission (1955), Part I - Tea is no doubt a scientific study of the subject. But many of its recommendations have not been implemented. Since the submission of its Report in 1958, there have been many new developments in the field. This dissertation, therefore, attempts at pointing out the new developments and the impact of public policy on them. The time-frame of this study has thus been selected with a view to facilitating the focus suggested above.
III Methodology

This study is essentially documentary but supplemented by interviews and personal observations. In studying the problems of the tea industry, the researcher had to depend heavily on the reports of Committees and Commissions appointed by the Government of India, publications of the Tea Board, FAO publications, ECAFE publications, statistics published by the International Tea Committee (London), Reserve Bank of India Bulletins, publications of the tea research associations, publications of the Tariff Commission, publications of the association of tea brokers, and publications of the planters' associations. Specialized periodicals like 'Tea and Coffee Trade Journal' (New York), 'Planters Journal and Agriculturist' (Calcutta), 'Tea Trade and Industry' (Calcutta), 'Planters' Chronicle' (Coonoor), and journals of learned associations like 'The Indian Journal of Labour' (Delhi), 'The Indian Journal of Commerce' (New Delhi), and 'The Indian Journal of Agricultural Economics' (Bombay) have been made use of. Articles on the topic appearing from time to time in financial periodicals like 'Commerce' (Bombay), 'Capital' (Calcutta), 'Eastern Economist' (New Delhi), 'Economic and Political Weekly' (Bombay), and in financial dailies like 'The
Economic Times' and 'The Financial Express' have also been used in the evaluation of Government policy in relation to the tea industry.

Secondly, almost all the available books on the subject (all of which are mentioned in the Bibliography) were gone through and the information pertinent to the problem was used.

Thirdly, to supplement and check this documentary study a large number of persons (105 in all) closely associated with the industry like owners and managers of tea estates, traders, brokers, members of Government Committees and Commissions, officers of tea plantation employees' associations, labour leaders of tea plantation labour unions, tea estate workers, secretaries and chairmen of planters' associations, small estate owners, "bought-leaf" factory owners, officials of co-operative tea factories and officers of the Agricultural Refinance Corporation were interviewed.

Finally, the Annual Conference of the Indian Society of Agricultural Economics which was held at Waltair (Andhra Pradesh) on December 29, 30 and 31, 1969, was of great help because one of the subjects discussed there was
plantation industries. The researcher, who attended the Conference and read a paper could contact many academicians interested in the Indian tea industry and discuss with them some of the important problems of the industry.

The main languages used in the course of these interviews were English, Hindi, Tamil and Malayalam, all of which the researcher knows.

IV Plan of the Study

The chapters of this study are as follows:

Chapter One is devoted to research design and method of approach.

Chapter Two analyses the importance of plantation industries to the Indian economy with special reference to the tea industry.

Chapter Three narrates the major economic problems facing the tea industry in their historical setting.

Chapter Four concerns itself with the location of the industry, the raising and maintaining of tea plants, and the various stages in the processing of tea. Chapter Five

deals with the structure of the industry. Briefly, these three chapters aim at projecting the problems in their proper perspective.

The next four chapters form the core of the study. In Chapter Six, the employment potential of the tea industry and labour policy are analysed. Chapter Seven deals with the large number of taxes on tea and the taxation policy. Chapter Eight traces the causes of rising costs, falling prices and declining profitability of the industry. Tea markets, the marketing of tea and public policy form the subject-matter of Chapter Nine.

In Chapter Ten an attempt is made at pin-pointing the defects of public policy and at offering suggestions which if implemented, may help the growth of the industry.

In brief, this work attempts at indicating how, given a helpful and reasonably far-sighted public policy, the industry can really play a significant role in the development of the Indian economy.