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low horsepower. It was thought that the small farmers should be helped jointly to have irrigation wells and lifts, and State tube-wells should as far as possible be so located that the small farmers be the greatest beneficiaries. But all said and done, it was felt that the small farmers who cannot be made viable through the new varieties, fertilizer and water were sizable in number and a policy of cheap electrical energy for irrigation was unlikely to be of much use to them.

SUBJECT III

ECONOMIC PROBLEMS OF PLANTATIONS

RAPPORTEUR : GOUTAM K. SARKAR

The Group decided to take up the discussion of the topics suggested in the Rapporteur's Report in the order mentioned therein. Accordingly, the first topic considered was the scope of rationalization in the tea industry with particular reference to the mechanization of plucking operations. The need for rationalization in the context of increased efficiency (defined as output per unit of input) was clearly appreciated. But as regards the feasibility of widespread mechanization, opinions were divided. While it was acknowledged that replacement of labour by machinery would generate surpluses, that could be re-invested to the advantage of the industry in the long run, it was agreed that labour displacement would create highly complicated problems in the short run. This had largely prevented the introduction of labour-saving machinery in the industry in the post-Independence era, as evident from the recent statistics relating to the use of machinery in the industry. It was also noted that alternative employment opportunities for the displaced labour force in tea producing regions were highly limited as a whole. So the Group decided to recommend some measures other than mechanization to enhance the productive efficiency of tea estates in the country.

The first and foremost measure advocated in this connection was replantation of estates having old and uneconomic bushes, by high-yielding varieties. Especially, bushes over 50 years old needed immediate replantation. The major obstacle in this sphere seemed to be that of finance which had restricted the pace of replanting operations in recent years to much less than the recommended rate of 2.5 per cent per year. Owing to the non-availability of relevant information pertaining to the exact financial requirements of replantation per acre, it was not possible to gauge the total financial commitments involved but it was recommended that capital costs of a replantation programme should be borne jointly by the industry and the Government and institutional agencies like the Agricultural Refinance Corporation, the State Financial Corporation and the nationalised commercial banks. One member suggested that the industry should bear about 30 per cent of the expenses involved.

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The problems of managerial efficiency were also considered. Owing to lack of conclusive evidences, it was not possible to ascertain as to whether the progressive Indianisation of tea estates had led to lesser managerial efficiency, but it was admitted that there was much scope for improving the standard of management relating to both field and factory operations.

It was also contended that the tea industry was subjected to an unduly high tax burden and so it was necessary to rationalize the tax structure. Most of the State taxes on the commodity, like the entry tax, carriage tax, etc., should be scrapped altogether and the export duty on tea should be related to the prices fetched by Indian teas at the three leading export auctions—analogous to similar schemes adopted in Ceylon of late.

The Group then decided to consider the implications of an export quota scheme for tea as has been agreed upon in principle recently by the leading tea producers of the world and approved of such an agreement as a short run remedy for the sharply declining export prices of tea in all the auctions. However, it was pointed out that without the approval—nay, active participation—of the leading importers, such a scheme was not likely to be successful. This was particularly so, because with the progressive decline of British influence on the world tea economy, the tea industry had become more diversified than in the pre-war period. In any case, it was emphasized that India and Ceylon, which together continued to account for about 70 per cent of the total world exports of tea, should take a joint initiative in launching and implementing such an agreement, as in the past.

As regards the impact of the proposed British entry into the European Common Market, the Group opined that the tea producer-exporter countries of the Commonwealth need not be particularly alarmed. This was because the Common Market countries and their associated territories were not consumers and producers of tea of major importance. British entry into the Common Market could lead to the termination of the preferential treatment meted out to imports from Commonwealth tea producing countries since the early 1930 s, but the Common Market countries, it was noted, had also decided to slash down the duties on tea imports since 1964 and in the Kennedy Round of Negotiations. In any case, in the event of Britain actually entering the European Economic Community, fresh tariff negotiations with the Common Market could be held to mutual advantage.

The Group then embarked upon the vitally important question of demand promotion—admittedly one of the most fruitful lines of action in the long run—and for which there were tremendous potentialities. Members were of the opinion that tea bags (which had a major built-in convenience of preparation) seemed to have better prospects than instant teas in the largely untapped American markets. Some members also recommended that efforts should be made to export tea in a blended form to reduce marketing margins and the opening of the Suez Canal would mitigate the risk of quality deterioration involved in the process of transhipment.

Regarding the regionwise scope for increasing tea exports, some members pointed out that the country would have to rely more on the expanding markets of USSR, the East European Countries, and the Middle East. Even within the set-up of an international commodity agreement, it could be possible to continue to have bilateral trade agreements with several countries, as in the past, regional exports had often been excluded from the scope of such commodity agreements. Moreover, suitable joint promotional ventures by India and Ceylon should be undertaken in keeping with the requirements of various markets.

The Group fully appreciated the need for quality maintenance and improvement as an essential part of the drive towards rationalization, for quality teas always enjoyed a premium in the world markets and had never suffered the same price decline as had the inferior teas. It was noted that the quality of Indian tea had gone down in some cases owing to coarser plucking, which should be avoided. Moreover, while quality admittedly was dependent in part on the physical environment of estates, there was a significant scope for improving the techniques of cultivation and processing for improving the average quality of the crop sold.

The Group next decided that the tea industry had not yet reached a stage where production control with its concomitant complications was becoming imperative, in view of the sizably large and expanding domestic market for the commodity.

Finally, one of the members pointed out the transhipment difficulties faced by the industry and pleaded for a rationalization of the modes of transhipment, including the payment of subsidies to air-borne tea from Tripura to Calcutta at a higher rate and better handling methods, as also the exploration of superior packing materials.

The problems relating to the coffee industry, the second most important plantation enterprise in the country, were considered thereafter. In the sphere of production, it was noted that there was an imperative need for stepping up coffee production (both of Arabica and Robusta varieties) through intensive rather than extensive cultivation. The need for greater productive efficiency of the smaller estates was particularly emphasized in this connection. It was noted that while the smaller estates had lower per acre yields and higher unit costs of production, the factors adversely affecting their productive efficiency should be pinpointed and measures adopted to eliminate these factors. In this connection, it was suggested that the small estates should be made more productivity-conscious through extension activities, and various institutional services in the form of provision of inputs and finance should be made available to them. In particular, every effort should be made to popularise co-operatives, at least those relating to selected farming operations, and in encouraging co-operative processing. The possibilities of amalgamation of smaller estates into larger ones were considered as being rather limited. Similar recommendations had been made pertaining to the smaller tea estates too by another member earlier. In several countries, including the Western European Countries in particular, despite the advantage of superior quality enjoyed by the coffee exported from this country, cheaper coffees exported from Brazil and the East African countries were more favourably placed, and the Group further recommended that in the context of the recent International Coffee Agreement, efforts should be directed towards the boosting up of coffee exports to the non-quota countries of Eastern Europe, the Middle East and the Far East, etc., including the exports of instant coffee.

In conclusion, the Group discussed the major problems encountered by the rubber plantations of the country. Contrary to the findings relating to the Malaysian rubber industry, it was noted that larger rubber estates in India had higher yields per acre compared with the smaller ones. But owing to various reasons, the former were declining in relative importance in the rubber economy of the country in recent years. One reason for this had been the higher labour cost involved in the larger estates, owing to the implementation of the Plantation Labour Act, which was not applicable to the smaller estates. Another significant factor was the preferential treatment meted out to the small growers vis-a-vis the larger ones by the Government, *e.g.*, in respect of fiscal charges and developmental assistance. In view of the pressing need for stepping up rubber production in the country to make it self-sufficient and preserve valuable foreign exchanges thereby, such a discriminatory policy should be abandoned. There was enough scope for increasing the output of natural rubber by means of replantation with better varieties and superior cultural practices.

Another policy recommendation was related to the fixation of minimum and maximum prices of natural rubber, for sharp, uncontrolled price fluctuations in the case of this scarce commodity created uncertainties, thereby hampering the production both by the cultivators and the tyre-manufacturing units in the country.

Owing to lack of time, it was not possible for the Group to consider the problems of the other relatively minor plantation crops of the country.