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ECONOMIC PROBLEMS OF TEA PLANTATION INDUSTRY— ASSAM : A CASE STUDY

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SUMMARY

In Assam tea is grown in almost all the plain districts but in respect of area and production, Lakhimpur and Sibsagar top the list. Generally speaking, tea estates in Assam are bigger than elsewhere in India, the average size of tea estate being about 231 hectares. There are, however, a number of uneconomic plantations in the State in the districts like Cachar, Sibsagar and Nowgong. A striking feature of the labour force in plantations in the State is the presence of women and children in quite large numbers. Labour absenteesm is also widespread here. This seems to be a serious problem for the industry. Adequate and proper supervision, better training and use of labour-saving tools will greatly increase the per capita output and will reduce cost per unit of produce. So far as labour productivity is concerned, there seems to be no appreciable change over the last few years. Any rise and fall in production does not appertain to more labour efficiency but may be caused by factors like replantation, extension of acreage and other extraneous factors like weather, etc. Labour productivity has been little influenced by tea prices and labour wages too.

The industry in Assam has been facing the problem of disorganized transport services also since partition. It can prosper only by concentrating more on the production of quality tea at lower prices and ensuring cheaper transport for its produce. Another problem which is staggering the growth of the industry in this State is that of finance. In this context, the setting up of a separate Finance Corporation for the tea industry needs careful consideration. Amalgamation of the various small financial institutions under co-operative management should also be encouraged.

THE PROBLEM OF OVER PRODUCTION OF TEA IN INDIA

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SUMMARY

In recent times the tea industry all over the world faces some serious problems of which over production is one to be reckoned with. The problem arises mainly due to the emergence of new tea-producing countries like East Africa. However, of late, production in India also has been accelerated due to the following factors : (1) a greater output per head and (2) extension of area under tea. This paper purports to discuss the problem of over-production in the light of the situations in the world market keeping in view the problem of rapid growth of labour force. Estates which have a built-in capacity will resort to efficient co-ordination of their existing resources by means of capital intensification method. As a result, a sizable proportion of labour force will be thrown out of employment. But in a country like India, to resort to labour-saving device is to invite troubles. They cannot ignore the existing labour legislations and the pressure of trade unions. The crux of the problem of the industry is how to absorb the growing labour force without upsetting the existing mode of production, so that the labour productivity is maintained at a high level. This has compelled many estates to resort to extending area under tea so that they can absorb some portion of their surplus labour. But the growth of labour force in almost all the estates has reached a saturation point. Besides, there is very little or no scope for their absorption outside the gardens because of the very slow progress of industrialization in and around the tea-growing areas.

However, extension of area under tea will only add to the glut. The only alternative is to switch over to the less efficient labour intensive techniques of production. Productivity may fall and cost of production will increase and Indian tea will be priced out of the world market. If the industry is to fare well in the world market, it has got to be modernized and rationalized. This

means resorting to sophisticated techniques of capital intensification. This will be possible only in the case of a few big-sized estates having sound financial background and small estates cannot adopt this technique immediately unless they are given necessary credit facilities to modernize their techniques of production. Parallely, there should grow up ancillary industries of tea so that they can well absorb the retrenched and surplus labour force of tea into their establishments without creating any further labour problems.

The existing taxation policy is also one of the causes of Indian tea loosing in the chess board of world market. If the industry is partially exempted from paying multifarious types of taxes and necessary subsidies are given, it will be able to compete in the world market even if it adopts a more labour intensive method of production. The problem of over-population can be tackled only by resorting to rationalization of the industry, exploring the internal market and creating alternative avenues for employing the surplus labour force.

ROLE OF PLANTATIONS IN THE DEVELOPMENT OF THE RATNAGIRI DISTRICT

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SUMMARY

Much is talked about the development of the backward district of Ratnagiri. The district is mainly dependent upon the money orders received from Bombay and Poona. There is abundant scope for growing mangoes, arecanut, coconut, cashew, etc., on plantations in the hilly lands of the district and these are potentially promising export products. Twelve co-operative societies have been registered and they need encouragement. One society at Kankuwan which is in existence for past five years has progressed very rapidly. It has undertaken cultivation in 300 acres. The State Government has given financial assistance and managerial subsidy. Government finance is however not according to the total requirements of the crop. But it has two advantages. The interest is free for first six years and thereafter it is 5 per cent. It has now been agreed that the rates fixed by Government are not according to the requirements of the crops. A fresh schedule of rates has been prepared and the co-operative banks have been requested to finance at these rates. However, if both the schemes are in existence the people get attracted towards the Government scheme. There should be only one financing agency and whatever Government assistance is to be given it may be kept at the disposal of the banks. The efforts of all the agencies need to be co-ordinated.

PRESENT POSITION AND PROSPECTS OF TEA INDUSTRY IN INDIA

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SUMMARY

India is the largest producer, largest exporter and second largest consumer of tea in the world. It is also a good source of revenue for the tea-producing State Governments. The industry gives employment to a labour force of almost one million. The share of tea in the total export earning in India varies from 14 per cent to 20 per cent. There are about 10,165 tea estates with a total area of 3,41,634 hectares in India. North and South India account for 75 per cent and 25 per cent respectively of the total estates in India. Assam accounts for the highest acreage (50 per cent), followed by West Bengal (25 per cent), Kerala (12 per cent), and Tamil Nadu (Madras) (10 per cent). The area, production and productivity have increased by 10 per cent, 46 per cent and 32 per cent respectively during 1947 to 1965 and the rate of growth of these three components are found to be 0.51 per cent, 2.63 per cent and 1.94 per cent per annum. North India recorded a higher increase in area (4.8 per cent) as compared to South India, whereas production increased at a higher rate (27 per cent) in South India during the period of 1958 and 1965. The highest percentage increase in area was recorded in Tamil Nadu (7.18 per cent) followed by Assam (6.55 per cent) and West Bengal (2.65 per cent). In Bihar, Uttar Pradesh, Punjab and Himachal Pradesh in North India,

the area under tea declined by 34 per cent, 17 per cent, 3 per cent and 0.71 per cent respectively while that in Mysore in South India it declined by 0.72 per cent during 1958-1965. As regards production of tea, Tamil Nadu, Mysore and Kerala registered increases by 38 per cent, 36 per cent and 20 per cent respectively, while Uttar Pradesh and Himachal Pradesh witnessed a decline in output more than in area.

The main economic problems having a bearing on the viability and competitiveness of the tea industry in India are : (*a*) decline in profitability and productivity, (*b*) imposition of levies, whether in the form of import duties or internal taxes, (*c*) inadequacy of the relief measures granted to this industry, (*d*) declining share of tea in India's export earnings, and (*e*) overaged and uneconomic nature of more than half of the existing bushes. Under the present circumstances, the profitability of the industry can be increased by stepping up the yield per acre and an active implementation of replantation schemes. The tax burden should also be lessened.

A STUDY OF WAGE-PRICE MOVEMENTS AND THEIR EFFECTS ON THE TEA PLANTATION INDUSTRY

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SUMMARY

The paper highlights the problems encountered by the tea plantation industry of India and analyses as to how far these are attributable to the unfavourable changes in wages and prices in the industry. The paper spotlights that (*i*) India's share in world production and world export of tea has come down in recent years with the industry facing strong competition in world markets. Increasing cost of production due to wage rise and increasing tax burden have made the Indian tea internationally less competitive. (*ii*) The price of Indian tea in world market has shown a declining tendency and in home market it has not moved at the same pace as have the prices of other goods. (*iii*) Though money wage has gone up, the real wage has not risen in many tea-growing regions. (*iv*) Profits have grown very slowly and the profitability ratios in the tea industry have been less than that in other industries in most of the years under study. The dilemma of low profit, uncompetitive price and high money wage but low real wage can be resolved by (*a*) reduction of tax burden, (*b*) popularisation of Indian tea in new markets, (*c*) modernization of the industry, (*d*) regulation of wage in accordance with productivity and above all, stabilization of general price level in the country.

TEA IN INDIA—THE LONG-TERM PRODUCTION OUTLOOK

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SUMMARY

The target for tea production has been put at 450 thousand tonnes for 1973-74 under the draft Fourth Five-Year Plan (1969-74), the base level assumed for 1968-69 being 418 thousand tonnes. The average production during 1965-67 was of the order of 373 thousand tonnes. At this rate of growth, the extrapolated level of production for 1975 would be of the order of 474 thousand tonnes against the FAO's production projection of 475 thousand tonnes. The actual production trend will, however, depend on the pace at which new plantings with high-yielding clones take place. Developmental measures for intensifying tea production have been adopted of late and these need to be intensified if the production target for the Fourth Plan is to be attained. A major problem standing in the way of intensifying production efforts is the increasing costs combined with high level of taxation and declining export prices which had narrowed the margin of profit and reduced the extent of the plough-back investment. The profits retained by the tea plantations have declined from 11.7 per cent of gross profits in 1960-61 to 4 per cent in 1965-66 according to a Reserve Bank survey.

ECONOMIC PROBLEMS OF TEA INDUSTRY IN ASSAM

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SUMMARY

This paper reviews a few economic problems faced by the tea industry in the light of a case study of a reputed garden owned by a sterling company in the Assam Valley. From the records available, it is revealed that since 1894, the area under tea has been increasing and stands at 1169 acres in 1969, representing 58 per cent of total garden lands. The area available for extension is 15 per cent. Both area under tea and production from 1963 to 1968 have increased by 25 per cent and 72 per cent respectively. Total yield has increased due to gradual increase of yield per acre from 395 kgs. per acre in 1963 to 542 kgs. in 1968. The average production cost (ex-factory) per kilogramme of tea decreased from Rs. 5.47 paise in 1963 to 3.51 paise in 1968, barring a 15 per cent increase in the year 1966 when output slumped due to bad weather. Though production cost seems to be declining, it is mainly due to labour-saving devices employed by this garden since 1957 when rigorous steps were taken by the Government for implementing the provisions of the Plantation Labour Acts. The market price of tea was, however, much higher than ex-factory cost. Higher yields may be obtained from the younger bushes. It is seen in the garden that the age-group of 3-10 years is the most economical with an yield per acre of 840 kgs. followed byt he age-group 11-20 years with an yield of 662 kgs. per acre. If we take the age of bushes from 3 to 20 years as the most economical, the garden is seem to consist of over-aged, debilitated and uneconomic bushes to the extent of 50 per cent. If we take this case as an indicator, then the whole country has more than 52 per cent of such bushes. As quality tea is obtained from the younger leaves, older bushes discourage quality (besides yield).

Replacement and replanting of older plantation together with modern methods of tea plantation and tea manufacture are the most important prerequisites for the development of the tea industry. Surplus labourers after modernization should be engaged in opening paddy or sugarcane farms, etc., in the available lands unsuitable for tea production. There cannot be retrenchment of existing labour strength because of statutory obligation. Hence the gardens should be encouraged to expand their acreages for employment of surplus labour. Thus the imposition of ceiling on land should not be implemented in tea estates. Modernization requires huge capital at the initial stage which the producers find difficult to provide for owing to the recent decline in profitability. Both long-term and short-term credit facilities that appear to be lacking are, therefore, to be expanded to enable the producers to undertake modern methods for boosting production of quality teas. It is hoped that the nationalised banks would play a major role in financing the tea industry for development through modernization.