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SMALL UNITS IN INDIAN TEA INDUSTRY AND PUBLIC POLICY

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Objectives

The objectives of this paper are: (*i*) to focus the attention of policy makers on the insignificance of small holdings in the Indian tea economy; (*ii*) to spotlight on 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.

Number, Acreage and Production of Small Units

Tea estates up to 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 I.

TABLE I—AREA AND NUMBER OF SMALL TEA ESTATES IN INDIA IN 1962 AND 1966

(*hectares*)

	1962		1966	
	No. of estates	Area	No. of estates	Area
North India				
Assam	128	3,112·70	121	3,068·40
West Bengal	17	324·10	18	325·61
Tripura	9	238·14	9	279·87
Bihar	1	42·48	1	38·25
Uttar Pradesh	19	335·09	17	244·03
Total*	174	4,052·51	166	3,956·16
South India				
Kerala	1,890	2,275·05	2,386	2,892·13
Tamil Nadu (Madras)	4,970	8,563·36	5,646	10,015·53
Mysore	5	102·10	7	114·86
Total	6,865	10,940·51	8,039	13,022·52
Total All-India	7,039	14,993·02	8,205	16,978·68

Note : * (*i*) Excluding Kangra and Mandi.[1] (*ii*) Area as on March 31, 1962, and March 31, 1966.

Source : Tea Statistics 1962 and 1966-67, Tea Board, Calcutta, 1963 and 1968, pp. 7-10 and 9-12 respectively.

1. According to the Plantation Inquiry Commission Report 1966, Part I Tea, Government of India, New Delhi, 1956, there were 1,115 small estates in Kangra and 225 in Mandi.

Between 1962 and 1966 the number of small units increased by 1,166 and the increase in area was 1,985.66 hectares. Despite the increase in area, the share of the small grower section as a percentage of the total output of tea in India was a meagre 3.96 per cent which fact makes the small holdings an insignificant part of the industry.[2]

Out of the total of 8,205 small units in India in 1966, 8,039 were in South India. Table II shows the number and area of small units in each tea district of South India.

TABLE II—AREA AND NUMBER OF SMALL TEA ESTATES IN THE DIFFERENT TEA DISTRICTS OF SOUTH INDIA IN 1966

Districts	Upto 5 hectares		Above 5 hectares and below 50 hectares	
	No. of estates	Area (hectares)	No. of estates	Area (hectares)
Kerala				
Cannanore	—	—	2	66·79
Ernakulam	11	12·16	3	67·99
Kottayam	2,192	1,277·16	77	1,085·85
Kozhikode	—	—	7	117·45
Palghat	1	4·07	1	10·33
Quilon	82	98·43	8	136·65
Trichur	—	—	—	—
Trivandrum	1	3·17	1	12·08
Total	2,287	1,394·99	99	1,497·14
Tamil Nadu (Madras)				
Coimbatore	—	—	—	—
Kanyakumari	1	2·01	3	75·95
Madurai	—	—	—	—
Nilgiris	5,334	5,344·03	307	3,589·49
Tirunelveli	1	4·05	—	—
Total	5,336	5,350·09	310	3,665·44
Mysore				
Chickmagalur	2	4·81	5	109·95
Coorg	—	—	—	—
Hassan	—	—	—	—
Total	2	4·81	5	109·95

Note : Figures relate to as on March 31, 1966.
Source : Tea Statistics 1966-67, Tea Board, Calcutta, 1968, p. 11.

2. United Planters, Association of Southern India : The Case for Tea, Coonoor, The Nilgiris, 1968, p. 39.

Of the 8,039 small units in South India in 1966, 7,910 were in the two districts of Kottayam (Kerala) and the Nilgiris (Tamil Nadu). In other words, 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 per cent of the small units.

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 III.

TABLE III—YIELD BY SIZE OF TEA ESTATES IN SOUTH INDIA 1956 TO 1966

(in kgs.)

Year	Upto 5 hectares	Above 5 hectares and below 50 hectares	Above 50 hectares and below 100 hectares	Above 100 hectares and below 200 hectares	Above 200 hectares and below 400 hectares	Above 400 hectares
1956-57 ..	645	235	688	801	911	
1957-58 ..	711	593	780	938	1,049	
1958-59 ..	645	600	800	994	1,102	
1959-60 ..	566	548	717	1,465	1,061	
1960-61 ..	128	556	731	1,013	1,152	1,081
1961-62 ..	N.A.	447	725	1,148	1,177	1,052
1962-63 ..	N.A.	368	713	1,078	1,086	1,015
1963-64 ..	N.A.	452	809	1,164	1,316	1,167
1964-65 ..	N.A.	388	695	1,081	1,201	1,083
1965-66 ..	N.A.	381	827	1,203	1,376	1,253

Note : N.A. = Not available.
Source : *Commerce Annual Number* 1968, Bombay, 1969, p. 222.

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. Most of the small growers of the Nilgiris district of Tamil Nadu are indebted to

'bought-leaf factories'[3] 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 prices paid by the 'bought-leaf factories' are invariably much lower than the auction prices at Cochin or Coonoor. Similarly, in the 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 exhorbitant 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 lump sum amounts to pay off old debts, to celebrate social ceremonies, etc. 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:[4]

> "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 sub-standard and the product is sold in the internal market at low prices. In Kangra (Himachal Pradesh) and Mandi (Punjab), 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 funds as the small growers

3. '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 land. Some of them own estates but they are too small to feed the factories fully.

4. Plantation Inquiry Commission Report, 1956, Part I—Tea, *op. cit.*, p. 229.

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 expensive modern machinery, roll-breaking and fermentation (or oxidation) are imperfectly done; drying and firing leave 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 estates can feed. Starting from Mel-Kundah if one drives on 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 with a view to buying the green leaves of small units. These factories are sponsored and subsidized by the Tea Board. The introduction of heavily subsidized and State-sponsored co-operative factories have 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 realize 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 exise 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 for these concessions.

(3) Since most of the small units are very small in size, they are outside the scope of the Plantation Labour Act and the provisions of other labour enactments. In fact, rarely do they employ hired labour.

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

(It may be noted that Nos. 3 and 4 are advantages enjoyed by the small units on account of their very nature).

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 a level comparable with that of the larger estates in the same district, the essential task is an integration of development assistance from the planting of tea to the processing of the crops in the factories. The small holdings 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[5] and the extension of a comprehensive and

5. The land ceiling legislation of Kerala State restricts the reserves that can be held to 20 per cent of the existing area under crop. There are many estates which have no reserves at all. Some have less than 20 per cent and a few have more than 20 per cent. The net result is that the area which can be extended will be far below the 20 per cent limit imposed by the State Government.

In Tamil Nadu, there are at least three separate enactments affecting tea plantations and their reserves : (1) Under the Madras Private Forests (Assumption and Management) Act, any reserve now held by a tea estate can be taken over by the Government. (2) Under the Madras Preservation of Private Forests Act, no estate can clear its reserves for extending tea cultivation and no new estate can be established as administratively the powers are so dispersed that many years may be wasted in going through the procedures of seeking a sanction and then failing to get it. (3) Under he Madras Hill Stations Preservation of Forest Act, even shade regulations become a matter for etlaborate procedure for seeking and getting sanction each year in each individual case.

expensive labour welfare schemes (unrelated to productivity) to large units have had an unfavourable effect on the number and area of such units. The future of the tea industry, must be judged from the obvious impact of Government policy on large units. Neither their number nor the aggregate acreage under the 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 holding 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, and will they 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 holding becomes smaller, it is clear, that it will become more dependent on the labour of the small grower's 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.

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 this policy the result of objectives carefully considered and reduced to a precise goal-reaching procedure? The vacillating 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 Government's 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 the 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 cost 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 skilfully, it is essential that the size of the unit be large.

DOMESTIC DEMAND FUNCTION FOR TEA IN INDIA

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Although tea is a minor item in the diet of Indian consumer, it is the second most important commodity from the view-point of earning foreign exchange. Various kinds of efforts are being made by the Government to promote the export of tea. The amount of tea available for export depends upon the extent of its production and domestic consumption and availability of foreign market. Therefore, in order to increase the export of tea it is not only necessary to enhance its production and explore foreign market but also to have a sizable amount of exportable surplus by way of curbing down domestic consumption. And for adopting an effective policy to achieve increased amounts of exportable surplus of tea it is necessary to have reliable empirical knowledge about the economic determinants of domestic consumption of the commodity. An attempt has been made in this article to (*i*) analyse the relationship between consumption of tea, price of tea and per capita income to determine as precisely as possible the effects of these factors on domestic consumption of tea and (*ii*) to estimate the trends in the future per capita consumption of tea in the country.

DATA AND METHODOLOGY

Regression analysis based on time-series data (1950-51 to 1967-68)[1] was used to analyse the effects of various factors on consumption of tea. Many factors cause variation in consumption of tea such as changes in income, prices of tea and its substitutes and complements, population, change in consumer tastes and preferences, social stratification, etc. All of these variables cannot be quantified and even those which can be quantified, time-series data are not available. Above all, it is difficult to isolate the effect of each variable it too many variables are used in the function. Therefore, the per capita consumption of tea has been related only with the retail price of tea and real per capita income.

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1. Time series data on per capita consumption of tea were obtained from the publication *Record and Statistics*, Vol. 18 to 20, 1967 to 1969.

Time series data on price of tea were computed from *Production Year Book*, Vol. 19 to 21, F.A.O., Rome, 1965 to 1967.

Time series data on per capita real income was obtained from *Eastern Economist Annual Number*, 1969, p. 1302.