



Indian Tea Industry-Profitability and Liberalisation

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ABSTRACT: Tea plantation industry is an important sector of the economy in Kerala. It plays a crucial role in income generation, foreign exchange earnings and employment generation both directly and indirectly. However, the overall performance of this industry is found to be unimpressive. Since the market for tea is of an international one, trade liberalisation has put many troubles in the industry which has made a substantial impact on its performance. Trade liberalisation and free import of tea, import of inferior quality of tea and re-export of it mixing with the traditional product have caused problems both in the domestic and international markets. As a result of opening up of the market for tea, there exists competition among producers at the international level. Competitiveness has become the key to success. Those units who are having the cost of production above the average international price found difficult to continue to operate. It has been seen in the case of Kerala. This eventually led the situation for closing down of many tea units in Kerala accompanied by high cost of production, low strength of competitiveness in the international market and low price realisation and the high pressure of trade unions made the Kerala industry too vulnerable to survive.

I. INTRODUCTION

The national production of tea was 1191.10 million kgs in the year 2015-16 against production of 1207.30 in 2014-15. Whereas the total tea production in Kerala is 57.89 million Kgs which is only 4.87 per cent of the national production. The tea production in Kerala has been continuously declined from 65 million kgs in 1991 to 57.89 million kgs in 2016. The per cent of contribution of Kerala in the national tea production has been declined from 8.78 in 1991 to 4.87 in 2016.

It was informed that the productivity of tea is around 1700 kg per hectare. The productivity of four major tea growing states viz. Assam, West Bengal, Tamil Nadu and Kerala account for 98% of the production whereas the productivity in Kerala is low. 3. It is also noted that the estimated quantity of export of tea was 217.70 million kgs during the year 2015-16 as against 201.20 million kgs in the year 2014-15.[1,2]

Tea has been an internationally traded commodity since its very inception. With globalization, trade liberalization and interplay of various factors both global and local were led to restructuring the Indian tea industry. Low-productivity of workers, increasing social costs of production and fall in tea prices are some of the reasons given by the management for the overall crisis. In India, this crisis has been manifested through the closure and abandonment of tea estates mainly in the states of West Bengal and Kerala since year 2000.

II. METHODOLOGY

The study is descriptive and analytical in nature. Both primary and secondary data were used for the study. The sources of secondary data are publications and reports of Tea Board India, United Planters Association of Southern India (UPASI), Association of Planters of Kerala (APK), Kerala State Planning Board and different Tea Companies. Various other unpublished works like PhD theses, MPhil dissertations and other Research Reports were also collected to obtain secondary data. Books, Journal articles and websites were extensively used as source of secondary data. 'Tea Statistics' and 'Tea Digest' published by Tea Board, India were also used for secondary data. In Kerala, tea plantations are mainly concentrated in Idukki and Wayanad districts and they account for 87.24 per cent. Idukki accounts 72.40 per cent and Wayanad. accounts 14.84 per cent of the total tea area of Kerala. Therefore, Primary data were collected from these two districts. There are 89 large tea companies, 163 large estates and 3956 small growers in Kerala (Tea Board, 2016). Out of this, 10 large tea companies, 20 tea plantation estates and 15 other small tea companies were selected for the study and included in the sample. 1. Universe is the entire tea plantation workers in Kerala. There are 70,000 employees currently working in the tea plantation industry in Kerala (Tea Board, India, 2018) [3]



2. Sample size is 400 tea plantation workers. The sample respondents were selected from the above tea plantations and companies from Wayanad and Idukki districts. These sample workers consisting of field workers including pluckers, field supervisors/ officers, factory workers/ supervisors and other auxiliary workers connected with the plantations and companies.
3. Tools for Data collection Tools for data collection were structured interview schedule and personal interviews. A semi-structured observation schedule was prepared for collecting data at the time of field visit and interaction with the stakeholders other than labourers.
4. Case Study Two case Studies (one in Wayanad District and the other in Idukki district) were conducted in the residential places of Tea Plantation Labourers called Layams or Padies.
5. Tools of Analysis The collected data were presented systematically in tables in order to convey the clear picture of the investigation. The data were analysed and interpreted by using statistical tools such as percentage, mean score and standard deviation. [4,5]

III. DISCUSSION

The plantation sector plays a very significant role in any country's well-being. Plantation crops are the mainstay of agrarian economies in many States and Union Territories of the country. Besides being an important source of revenue for various States/UTs, it is also an important contributor to foreign reserves of the country. The importance of this sector assumes a deep social dimension in view of its capability to provide gainful employment, both direct as well as indirect, to a large chunk of population in remote corners of the country. Further, these plantations help to sustain the fragile ecosystem of the region. The lush greenery which the sector epitomizes can fill any country and its citizens with pride and inspiration. These plantations are one of the biggest carbon sinks and conservatory of flora and fauna in the world. In view of immense implications the plantation sector has an influence on the social, economic and environmental fabric of the country. India is the largest producer as well as the largest consumer of black tea in the world. It is significant to note that more than 80% of total tea production is consumed within the country. Indian tea commands second position in the world with regard to the area under tea cultivation. India is the fourth largest exporter of tea in the world. after Kenya, China and Sri Lanka. The situation in India is different from the major exporting countries like Kenya and Sri Lanka as these countries have very little domestic demand and export more than 95 to 98% of their respective total production. As regards production, India is the second largest tea producing country in the world with a share of 23% of the total world production after China which contributes about 32% of the total world production. The tea originating from Darjeeling, Assam and Nilgiris are well known for their distinctive quality all over the world. Tea exports contribute substantial foreign exchange into the country; the sector also contributes revenue to the tea growing states and national exchequer by way of Value Added Tax (VAT), agricultural and corporate income tax, etc. The tea industry provides direct employment to more than a million workers, of which a sizeable number are, women. Additionally, more than two million people derive their livelihood from ancillary activities associated with the industry.[6,7]

IV. CRISIS FACED BY TEA INDUSTRY

The general problems which are facing by the tea companies are listed below.

1. High cost of production and low price realisation: Cost of production of the tea is increasing year by year but the price of tea is decreasing. When the price of the manufactured tea declines, it directly affects the price of the raw tea leaves also. According to the tea companies total cost of production of tea is higher than the auction price. Since the companies have to pay heavy taxes they are not able to sell the product with reasonable margin. According to the opinion of companies 65 per cent of the total cost of production is accounted by labour. One of the major problems faced by the companies is high wage rate. Though the employees complain that they did not get much wage increase, the company is finding it difficult to manage the wages due to decline of tea price. Compared to plantation workers in other states, wage rate in Kerala is high. In every three years, the salary is being revised and for the company a slight change in the wage rate will be a heavy burden because number of labour in tea plantations are very large.
2. Labour and Union related problems: Since tea plantations have large number of employees, the companies are facing many problems related to labour and they are mainly caused by union pressures. When the workers have problems of insufficient salary or lapses in the facilities provided, they tend to make problems with the help of unions. [8]
3. Import of tea from other countries: Cheaper tea is imported from other countries like Sri Lanka at a very low import duty. This results in unhealthy competition and often pushes price below cost of production. Free import policy of the Government has damaged the domestic plantations and their survival. According to the companies import can be permitted only by prescribing quality parameters and imposing duty to safeguard domestic tea industry. Import of cheaper tea for re-export 34 either directly or mixing up with the Indian tea with the Indian brand name reduces the



demand and price of Indian tea in foreign markets. The disintegration of the former Soviet Union which accounted for more than half of the total exports of India caused serious problems for India's tea exports. It also created damaging effects on Kerala tea because Soviet Union used to be the major market for Kerala tea. Price variation in the market also plays a major role in the profitability of the plantations and companies.[9]

4. Electricity and fuel: The Factories require electricity, coal and firewood for manufacturing of tea. High price of electricity has pushed up manufacturing expenditure. Sufficient coal and firewood also is not available in majority of estates.

5. Transportation problem: Estates which are far from factory find very difficult to fetch the leaves to the factory. Some of the estates do not have factory within the estate. So they have to carry the leaves from the plucking field to the factory. In the same manner to bring any item to the estate also becomes very difficult. Estates have transportation problem within the plantations. The companies face the same problem for transporting tea from factory to auction centres or sales division.

6. Tax problems: Free import of tea at present do not permit the companies to hike the price of tea. Due to this, the price and cost of the product will not be having much difference and in some cases cost will be more than the price. The present tax rates and import policy have negative impact on tea manufacturing companies.

7. Other Problems: a. Productivity: Two varieties of tea plants are found in estates, China tea and Assam tea. The estates have been found reluctant for introducing 35 new high yielding varieties and this tendency has adversely affected the productivity. b. Mechanisation: Tea plantation industry is labour intensive and it was found that no viable steps have been taken for mechanisation. c. Lack of professional management: The factories are established years ago and no technological improvement is effected. [10]

V. CONCLUSION

The Tea Board of India was constituted on 1st April, 1954 under Section (4) of Tea Act 1953 as a statutory body under the administrative control of Ministry of Commerce and Industry, Government of India to promote the cultivation, processing and domestic trade as well as export of tea from India. The Board is an apex body entrusted with the task of looking after the overall interests of the tea industry.

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