

# CHAPTER III

Growth and Development  
of  
Tea Industry in West Bengal

### **3.1: An Introduction of the History of Tea Cultivation in India**

Long before the commercial production of tea started in India in the late 1830s, the tea plant was growing wild in the jungles of North-East Assam. In 1598, a Dutch traveller, Jan Huyghen Van Linschoten, noted in a book about his adventures that the Indians ate the leaves as a vegetable with garlic and oil and boiled the leaves to make a brew.

In 1788, the British Botanist, Joseph Banks, reported to the British East India Company that the climate in certain British controlled parts of North-East India was ideal for tea growing. However he seems to have missed the fact that the plant was a native to Bengal and suggested transplanting tea bushes from China. But his idea was ignored. In 1823 and 1831, Robert Bruce and his brother Charles, an employee of the East India Company, confirmed that the tea plant was indeed a native of the Assam area and sent seeds and specimen plants to officials at the newly established Botanical Gardens in Calcutta. Again, nothing was done perhaps because the East India Company had a monopoly on the trading of tea from China and, as they were doing very nicely, probably saw no reason to spend time and money elsewhere.

In 1833, everything changed. The company lost its monopoly and suddenly works up to the fact that, India might prove a profitable alternative. A committee was set up, Charles Bruce was given the task of establishing the first nurseries and the secretary of the committee was sent off to China to collect 80,000 tea seeds because they were still not sure that the tea plant really was indigenous to India, committee members insisted on importing the Chinese variety. In 1834, Lord Bentick, the Governor General of India appointed a committee, known as the Tea Committee to investigate into the scope of tea cultivation in India. The committee selected Kumayan district at the foothills of Himalayas for tea cultivation.

The first attempt of this committee was unsuccessful. Due to heavy rainfall the brush became loose and the bushes died. The second attempt was made on the terraces of hills and it was a successful attempt. After that, Lord William Bentick appointed a commission to find out possibility of tea cultivation in Assam. Soon after the recommendation of that commission, an area was selected at Sadiya in the Lakhimpur district of Assam in 1835 and another at Chabuya with Assam indigenous tea seeds in the same district of Assam in 1837<sup>1</sup>.

In 1838, the first consignment of Indian tea containing eight chests were exported to England and it was sold in the London market on 10<sup>th</sup> January in 1839. The East India Company wrote to Assam to say that the teas had been well received by some "house of character" and there was a similar response to the next shipment, some buyers declaring it "excellent".

Having established a successful industry in Assam's Brahmaputra Valley, with factories and housing settlements, the Assam Tea Company began to expand into other districts of North-East India. Cultivation started around the town of Darjeeling in the foothills of the

Himalayas in the mid 1850s. Tea culture also started in Chitagang in about 1840. Tea was introduced in Sylhet and Cachar in about 1855, in Terai in 1862 and in Dooars in 1874<sup>2</sup>.

By 1857, between 60 and 70 acres of land were under tea and whereas the China, variety of tea plant had not liked the condition in Assam, here at elevations of 2500 to 6000 ft, it grew well. The company pushed on into Terai and Dooars and even into the remote Kangra Valley, 800 miles west of Darjeeling.

In the south western trip of the country, experimental plantation had been made in 1835, while the first nurseries were being established in Assam, and by the mid 1850s tea was growing successfully alongside coffee. The climate of the Nilgiri Hills or Blue Mountains seemed to suit the plant and the area under tea steadily expanded.

In 1853, India exported 183.4 tons of tea. By 1870, that figure had increased to 6700 tons and by 1885, that figure had again increased to 35274 tons. Today, India is one of the World's largest producers of tea with 13000 gardens and a workforce of more than 2 million people<sup>3</sup>.

### **3.2: Common Features of Tea Plantation**

The earliest examples of the plantation system are tea plantations established in the northeast of India around 1835 when tea began to be cultivated and manufactured on a commercial basis. These early plantations were usually in hands of foreign companies that specialized in exporting tropical goods to Europe. The plantation system is a product of colonialism. The coercion, isolation and exploitation of workers of colonial days are still rife on modern tea plantations.

Plantations require large tracts of land and a large labour force. So plantations came to depend on migrant labourers, whose migration often had to be arranged by the tea planters. The influx of various alien, low-caste and tribal people led to the formation of an oppressed labour class. In fact, geographical isolation and social deprivation have been maintained to this day in order to perpetuate the exploitation of tea plantation workers.

Common features of tea plantation are:

- i) It is established in tropical and sub-tropical region.
- ii) It is established in large estate.
- iii) The labourers are either hired, migrant or slave.
- iv) They are unskilled or semi-skilled.
- v) There is a vertical hierarchy in the plantation.

- vi) It is specialized in some crops.
- vii) The production is large scale and made primarily for commercial purposes including export.
- viii) Coercion is an integral part of plantation.
- ix) Wages are being kept low <sup>4</sup>.

### **3.3: Organization of work**

The organization of work in a tea garden comprises a hierarchy, with the manager at the top and the daily rated worker at the bottom.

Plantation is a combination of agriculture and industry. It has two parts namely cultivation and processing. Therefore, the nature of work is of two types, that in the field and that in the factory. These who are employed in the cultivation part of production are called field labour. They perform all the work from soil.

There are four categories of workers engaged in tea plantations. These are male, female, adolescents and child. The first two are workers above the age of 18 years. The workers between the ages 16 to 18 years are adolescents and children are those who fall in between 14 to 16 years of age. In the tea plantations of North India, particularly in Assam and West Bengal the adolescents and child labourers are found to be more numerous than in South India <sup>5</sup>.

There is a distinctive hierarchy in the work organization in tea plantation system.

Generally there are four categories of employees in the tea estates, every category is assigned with different types of work, their status, and payment of wages. These categories are management, staff, sub-staff and worker.

#### **1. Management**

The manager is on the top level of the hierarchy in a tea estate. In a tea estate manager is responsible for all types of work. He is all in all in a tea estate. He is the legal representative of the employer or the company.

In this hierarchical organization the next rank consist of a few Assistant Managers. The numbers of Assistant Managers depend on the size of the gardens. The duties of Assistant Managers are to assist the managers. In a large tea estate the Assistant Managers are of two types - (I) Assistant Managers (Garden) & (II) Assistant Mangers (Factory). Generally the Assistant Manager (factory) is an engineer who looks after the manufacturing works & machinery in factory. The Assistant Manager (garden) is generally given the charge of a division of the garden. He is supposed to supervise the works of the laborers in his division or a part of it.

## **2. Staff**

The staff category is just below the management category in the organizational hierarchy of a tea estate. Generally this category consists of clerks, factory assistants and garden assistants. The duty of a factory assistant is to assist the Assistant Manger (factory).The garden assistant is also supposed to assist the Assistant Manager (garden).

There are a number of clerks in the office of a tea estate, headed by the head clerk. The head clerk supervises the works in the office. He also handles the cash below him, there are number of clerks like provident fund clerk, store clerk etc.who are assigned with specific official job.

## **3. Sub-Staff**

This category comes below the staff category. Sub-Staff are mainly supervisory staff and generally promoted from the rank of workers. They are paid on monthly basis and their wages are slightly higher than that of the daily rated workers. In the Sub-Staff category, Munshi and Sardar are the highest designation in the garden and factory respectively. In the garden, next to Munshi, comes Chaprasi.

The smaller gardens generally do not have either of these two posts. Instead, they have only a Munshi or a Chaprasi.Both the Munshi and Chaprasi supervise the works of the daily rated workers.

The next rank after Chaprasi in the garden is Baidar.His work is to keep attendance of sub-Staff and workers in the field.

The Dafader comes next to boider.He is given the charge of a group of workers. He is the gang leader. He supervises the works of this group.Dafader is one of the most important post in a tea garden. He directly supervises the performance of the workers. He has to guide them at every step. He is responsible for all minute details of work in the tea garden.

Chowkider and Paniwala are the next two posts after the Dafader.There are a number of Chowkidars and paniwalas in the garden. The chowkidar is the watchman or guard of the tea estate. There are line chowkidars, who guard the labour lines and also convey the order of the manger to the workers. The paniwala's duty is to carry drinking water to the workers while they are at work. In the factory, the sub-staff category is not so broad like that of the garden. Beside the factory sardar there are electricians and fitters also.

Beside all these, there are other sub-staff, such as Dawawala or the Pharmacist who helps the doctor. The drivers, cleaners of vehicles, gardeners, and office peons are some other sub-staff in a tea estate.

#### **4. Worker**

This is the fourth or the last category in the hierarchy of a tea estate. This category consists of factory workers and garden workers. They are directly related with production. These workers are of four types: Male, Female, Adolescent and Children. Those who are above 18 years old are called male or female worker according to their sex. Workers in the age group 16 years to 18 years are called adolescents worker and those who are within 14 years to 16 years old are called children worker. In the tea estates in West Bengal Adult and Adolescents are paid equal wages. Children are paid half the wages of the former.

The factory workers do all the tea processing works in the factory. In the gardens, the workers have to do everything from preparation of soil to plucking. The male workers do their heavier works like the hoeing and clearing the soil of undergrowth, pruning the bushes in winter, chopping down shade trees when required and so on. Children workers are given lighter works like removing creepers, parasites from bushes and also leaf-plucking.

There is a very little scope of promotion from one category to another in the hierarchy in the tea estate except from worker to sub-staff. It is very rare that a staff gets promotion to management category and also from a sub-staff due to the indifferent attitude of the management. The workers and the sub-staff are of Tribal or Nepali origin. The staff is generally Bengali and those in management are either Bengali or non Bengali.

#### **3.3.1: Organization Structure in a Tea Garden**

In the words of Mintzberg "The structure of an organization is the sum total of the ways in which it divides its labour into distinct tasks and then achieves co-ordination among them". In the tea garden organization structure consist of management, staff, sub-staff and workers. The organization structure is given below:

#### **Management:-**

Manager  
Assistant Manager (Garden)  
Assistant Manager (Factory)

#### **Staff:-**

Head Clerk, Store Clerk, P.F. Clerk  
Garden Assistant  
Factory Assistant

**Sub-staff:-**

Factory Sarder	Boider
Munshi	Dafadar
Chaprasi	Chowkider & Paniwala

**Workers:-**

Adult Male  
Adult Female  
Adolescents  
Children

**3.4: History, Growth and Development of Tea Industry in India since Its Inception in General and West Bengal in Particular**

Tea industry is India's oldest industry and has retained its position as the single largest employer in the organized manufacturing sector. One out of seven workers in this sector is a tea plantation worker.

Although they are isolated in their plantations, bound by low wages and poor working conditions. India produces about 750 million Kg. of tea annually making it the largest tea producer in the world. Around 30 percent of the world's tea is produced in the country. India is also the world's largest consumer of tea<sup>6</sup>

The four major tea producing states in our country are Assam, West-Bengal, Tamilnadu and Kerala. Tea is produced in almost all the districts in Assam. In West Bengal, tea is produced only in Jalpaiguri and Darjeeling district. In South India, tea is mainly produced in Nilgiris and Coimbatore in Tamilnadu and Idduki and Wynad in Kerala. Apart from these four major tea producing states, tea is produced in Tripura, Bihar, Manipur, Sikkim, Karnataka, Himachal Pradesh, Uttaranchal Pradesh, Orissa and Meghalaya. The state wise production of tea in India is presented in table 3.1.

**Table 3.1**  
**Production of Tea in India (Figures in thousand Kgs.)**

State	1951	1961	1971	1981	1994	2001	2007
<b>Assam</b>	400732	402617	423965	425115	400732	453587	487487
<b>West Bengal</b>	158825	157522	164768	170158	162669	186840	236344
<b>Tamilnadu</b>	117520	117915	115840	130179	117520	132401	160531
<b>Kerala</b>	63125	64778	61581	69776	63125	65151	55966
<b>Karnataka</b>	12690	13184	13871	14803	12690	5564	5188
<b>India</b>	752895	756016	780140	810031	752895	853923	986427

Source: Tea Statistics 2008, published by Tea Board

From the table it is seen that the production of tea is the highest in Assam i.e. around 50% of the total production.

The second largest tea producer is West Bengal which produces about 24 percent of the country's tea. Tamilnadu is the third largest tea producer which yields about 16 percent of the total production. This is followed by Kerala which yields about 6% of the total production. The other tea producing states collectively contribute to 4% of the country's production.

The state wise employment of permanent workers in the tea sector is presented in table 3.2.

**Table 3.2**  
**State wise Employment of Daily Labour Force**

State	2000	2001	2002	2003	2004	2005	2006
<b>Assam</b>	602531	611063	619663	619322	617518	618139	619743
<b>West Bengal</b>	253459	255569	259182	260336	262672	262702	262039
<b>Tamilnadu</b>	255780	267665	275723	268351	266027	266383	266385
<b>Kerala</b>	77086	77198	79524	87184	90358	90148	90575
<b>Other States</b>	21199	20655	21008	21017	21035	21428	20758
<b>India</b>	1210055	1232150	1255100	1256210	1257610	1258800	1259500

Source: Report published by Tea Board, 2007

From the table 3.2 it is seen that Assam employs about 50 percent of the total labour force employed in the tea sector. West Bengal employs about 21 percent of the labour force and Tamilnadu and Kerala employ about 21 percent and 7 percent respectively.

The other tea producing states collectively contribute to 1 percent of the total labour force employed in the tea sector of India.

This is a far cry from the optimistic projection in 1980 that our country would produce one billion Kg. of tea by the end of twentieth century. Production has increased but at the same time consumption has increased at a higher rate than production.

It is estimated that consumption of tea increases at a steady rate of 20 million Kg. annually. Low growth in production along with an increase in domestic consumption has affected tea exports in recent years.

The new threat is, in the era of liberalization, India imports tea from Sri-Lanka and Bangladesh that are cheaper than domestically produced tea.

However the major constraints to increase exports are the sluggish augmentation in production with a rapid growth of internal consumption. Tea is regarded as one of the items of essential consumption of mass in India. Hence stabilization of its price in the domestic market is necessary. Increase in production can stabilize the market price of tea in the domestic market. Hence curtailment of tea exports becomes essential so that enough tea is available for domestic consumption<sup>7</sup>.

This is the reason why in 1984 the Government restricted export of tea to 200 million Kg. It was then felt that if exports increased beyond that level, prices of tea in the domestic market would rise to high levels. The common perception is that production can be enhanced only by means of higher labour productivity as tea is still a labour intensive industry<sup>8</sup>.

At the same time, there are a number of other factors affecting labour productivity in the tea sector. These include expansion of the area under tea cultivation, replenishing of ageing bushes and the like. The increase in area under tea in different states is shown in table 3.3.

**Table 3.3**  
**Area under Tea in Hectares**

State	1971	1981	1987	1997	2007
Assam	182325	203038	226883	229843	321319
West-Bengal	88409	93971	100971	103008	115095
Tamilnadu	36646	37039	38108	49671	80462
Kerala	37271	35039	34688	36817	37137
Other states	20865	14542	13731	14955	24445
India	365516	383629	414381	434294	578458

Source: Report published by Tea Board, 2007

From the table 3.3, it is very clear to us that the total area under tea in India has increased from 365516 hectares in 1971 to 578548 hectares in 2007 which is an increase of 76.23 percent. If we take into account the period 1997 to 2007, the increase is of 33.19 percent only.

If we look at the tea producing states separately then we see that the increase in area under tea in Assam, between 1971 and 2007 is 76.23 percent but if we take into account the period between 1997-2007 shows an increase of 39.79 percent.

In West Bengal the increase over the period 1971-2007 is about 30.18 percent which is lower than Assam. If we take into account the period 1997 to 2007, the increase is a mere 11.73 percent. Tamilnadu shows a positive picture in this regard. During the period 1971 to 2007, the total increase is about 119.56 percent but during the decennial period 1997-2007 the increase is about 62%. The fourth state, Kerala, presents a negative picture. Tamilnadu is the only state that shows a positive trend in this regard.

The age of the tea bush is an important factor for its productivity. Normally, the tea bush achieves its prime growth from the age of five years till 30 years. Table 3.4 gives a break-up of the age of tea bushes in the different states.

**Table 3.4**  
**Age of Tea Bushes as Percentage (1997)**

State	Below 30 years	Above 30 years but below 50 years	Over 50 years
Assam	47	22	31
West-Bengal	34	20	46
Tamil Nadu	47	16	37
Kerala	16	13	71
India	42	20	38

Source: Report published by Tea Board: 2000:26-27

It can be seen from the above table that 38 percent of tea bushes are over 50 years and 20 percent tea bushes cross the age of 30 years, which is considered as the most uneconomic phase of the tea bush that adversely affects its productivity. Only 42 percent tea bushes are in the economic phase. In our West Bengal half of tea bushes are over 50 years which leads to lower productivity of tea bushes.

In Kerala, the situation is worse. Here more than 70 percent tea bushes are over 50 years and only 16 percent tea bushes are less than 30 years. In Assam and Tamilnadu the picture is more or less equal. In Assam 31 percent and in Tamilnadu about 37 percent tea bushes are over 50 years. At the same time, the percentage of younger tea bushes (below 30 years) in Assam and in Tamilnadu shows the same picture. In these state 47 percent tea bushes are in young age group.

In our West Bengal only 34 percent tea bushes are below 30 years which is less than All India percentage, where the percentage is 42 percent. Generally, we find that the tea bushes in the country are on the older side, which reflects that adequate attention is not given on replantation and replacement of the older tea bushes. We can now turn to another important aspect of productivity, namely the yield per hectare. Table 3.5 shows a comparison of the yields in the four major tea growing states in India.

**Table 3.5**  
**Yield per Hectare (in Kgs.)**

State	1951	1961	1971	1981	1993	2001	2007
Assam	1227	1603	1764	1850	1770	1685	1593
West Bengal	1176	1488	1589	1652	1619	1686	2053
Tamilnadu	1661	2262	2406	2621	2906	1751	1995
Kerala	1164	1622	1715	1895	1788	1764	1507
India	1221	1605	1768	1865	1819	1675	1705

Source: Report published by Tea Board 2007:15-16

From the above table, we can see that, in the case of West Bengal, the average yield per hectare is the highest in 2007. On the other hand, during the period 1951 to 2001, we can see that the average yield per hectare in the case of West Bengal is comparatively lower than other major tea producing states in India.

According to the Tea Board of India's estimates (Tea Board 1994:116-118) after 1998 onwards production has hovered around 750 million Kg. per annum but internal consumption increased by 15 million Kg. annually till 1987. In 1988, it raised by about 18 million Kg. and in the subsequent years, consumption has further increased at a fixed rate of 20 million Kg. per year.

The above mentioned situation resulted in demand being higher than supply and subsequently a rise in tea prices. It will affect the weaker section of the society at large.

Tea Industry has a chequered history in West Bengal early from the nineteenth century. It is now the second largest tea growing state in the country, next only to Assam, housing nearly 300 tea estates are in aggregate. The following table reveals her position in the industry in the national context.

**Table No 3.6**  
**Comparative Position of Tea Industry in WB**

Particulars	West Bengal	All India	% share of W.B in All India figures
No. of gardens	299	37.32	9.19%
Area under tea cultivation	101190 hec	432297	24.05%
Production of tea	215 million Kg.	928 million Kg.	22%

Source: Report of West Bengal Industrial Development Corporation, 2005

In terms of tea growing areas, West Bengal has three tea growing zones viz, Darjeeling, Terai and Dooars. Darjeeling produces the finest tea in the world. The tea gardens located at the foothills of the Himalayas, in Darjeeling and Jalpaiguri districts constitute the Terai and Dooars tea growing districts in West Bengal.

Among the three tea growing zones of West Bengal viz Darjeeling hills, Terai and Dooars, the cultivation of tea started first in the Darjeeling Hills. The China plants which reached Darjeeling about the end of 1835 were later added by indigenous Assam plants. In 1852, Mr. Jackson reported that these first experiments were doing well<sup>9</sup>.

By 1856, the industry had moved from the experimental to a more extensive and commercial stage. In that year, the Alubari Tea Garden was opened by the Kurseong and Darjeeling Tea Company and another on the Lebong Spur by the Darjeeling Land Mortgage Bank. In 1859, the Dhutaria Garden was started by Dr. Brougham and between 1860 and 1864; four gardens at Ging, Ambutia, Takdah and Phubsering were established by the Darjeeling Tea Company and the gardens at Takvar and Badamtam by the Lebong Tea Company.

Other gardens which were started in this period are now known as Makaibari, Pandam and Steinthal Tea Estates. All these estates are in the hills, but about the same time the planters began to shift their attention to the Terai Zone, where experimental plantations had already been started. In 1862, the first garden was opened out at Champta, near Khaprail by Mr. James White. By the end of 1866, more gardens had been opened up at the Terai region of West Bengal.

The table 3.7 shows the progress of tea gardens in Darjeeling between 1861 and 1951. By the end of 1895, the industry progressed steadily.

By the end of 1895 there were 186 gardens with 48692 acres under cultivation and production of 11714500 lbs of tea.

**Table 3.7**  
**Statistics of Tea in Darjeeling**

Year	Number of Gardens	Total Area (in acres)	Approx Yield(in Ibs)
1861	22	3251	42600
1866	39	10392	433715
1867	40	9214	582640
1868	44	10067	851549
1869	55	10769	1278869
1870	56	11046	1689186
1872	74	14503	2938626
1873	87	15695	2956710
1874	113	18888	3927911
1881	155	28367	5160316
1885	175	38499	9090500
1891	177	45585	10910487
1895	186	48692	11714500
1901	170	51724	13535537
1911	156	51488	14250615
1921	168	59005	14080946
1931	169	61178	20496481
1941	136	63173	24815216

Source: Report of West Bengal Industrial Development Corporation, 2005

Prices fell at a rapid rate between 1896 and 1901 and many gardens were closed. By the end of 1901 the number of gardens were reduced to 170 and further reduced to 156 by the end of 1911. Between the periods 1921 to 1951, in spite of slow rate of expansion in the area under tea, the total production was doubled.

### **3.5: History, Growth and Development of Tea Industry in Dooars Region Prior to Independence**

The Dooars are flood plains and the foothills of the Eastern Himalayas in North-East India around Bhutan. Duar means door in both Assamese and Bengali languages and form the gateway to Bhutan. This region is divided by the Sankosh River into the Eastern and the Western Dooars consisting of an area of 8800 Square Kilometer. This region was controlled by the Kingdom of Bhutan when the British annexed it in 1865 after Bhutan war and also by the Koch dynasty <sup>10</sup>.

According to the District Gazetteers report the first garden was opened at Gajoldoba in Western Dooars by Mr. R.Haughton in 1876. Dr. H.P Brougham took the first lease of about 1000 acres of land in Gajoldoba on 16.2.76. He employed Tichard Haughton who was the pioneer tea planter in Jalpaiguri district. The progress of tea industry in Dooars mainly in Jalpaiguri district during the period between 1876 to 1947 is shown in Table 3.8.

**Table 3.8**  
**Statistics of Tea in Dooars Mainly in Jalpaiguri District (1876-1947)**

Year	Number of Gardens	Total Area(in acres)	Approx Yield(In lbs)
1876	01	1000	-
1881	47	5637	-
1891	79	35683	-
1901	235	76403	31087537
1911	191	90859	48820637
1921	131	112688	43287187
1931	151	132074	66447715
1941	189	131770	94604450

Source: Report of West Bengal Industrial Development Corporation, 2005

Between the periods 1901 to 1931 areas under cultivation of tea increased by about 74% and production increased by about 115%. After 1931, there had been very little increase in the acres of land as almost all exploitable land had been utilized. However, between periods, the production was almost doubled.

So far, we have discussed the progress of tea industry in the two regions viz Darjeeling Hills and Dooars region during the pre-Independence period due to non-availability of data, we could not show the progress of tea in the Terai.

### **3.6: Growth and Development of Tea Industry after Independence in W.B in General and Dooars Region in Particular**

We have also attempted to present the growth and development of tea industry in West Bengal during the Post-Independence period. The growth is measured in terms of number of tea gardens, area of cultivation, production and average yield per hectare.

#### **3.6.1: Number of Tea Gardens**

The number of tea gardens established in different regions of West Bengal during the period 1951 to 1999 is presented in Table 3.9. It shows the region wise growth of number of tea gardens from the period 1951 to 1999.

**Table 3.9**  
**Number of Tea Gardens (Region Wise) (1951 to 1999)**

Region/State	1951	1961	1971	1980	1993	1999
Darjeeling	-	99	97	103	102	85
Terai	-	47	48	48	82	834
Dooars	-	155	151	154	163	532
West Bengal	296	301	296	305	347	1451

Source: Tea Statistics 1990-91, Published by Tea Board

Table shows that maximum numbers of tea gardens were established in the Terai region in comparison to Darjeeling and Dooars region of West Bengal during the period 1951-1999. Table also shows that there was a very little change of tea gardens in the Darjeeling region during the said period.

On the other hand in the year 1961, the number of tea gardens in the Dooars region was 155 and by 1990, there were 163 gardens in this region i.e. the percentage of increase in the number of tea gardens was about 7% during the period.

### **3.6.2: Size Wise Classification of Tea Gardens**

The size wise classification of tea gardens in different region of West Bengal during the period 1951 to 1999 is presented in following Table 3.10.

**Table 3.10**  
**Size Wise Classification of Tea Gardens in Different Region of West Bengal**  
**(Figures in Hectares)**

Region/ State	Up to 50 Hec.	Above 50 & Up to 100 Hec.	Above 100 & Up to 200 Hec.	Above 200 & Up to 400 Hec.	Above 400 Hec.	Total
<b>Darjeeling</b>	3	12	36	31	7	89
<b>Dooars</b>	10	4	13	47	83	157
<b>Terai</b>	12	5	13	18	11	59
<b>West Bengal</b>	25	21	62	96	101	305

Source – Tea Statistics 1990-91, Published by Tea Board.

It can be seen from the table that, in the Darjeeling region only about 8% tea gardens are of above 400 Hec. In the Terai region, out of 59 gardens, 11 gardens (18.64%) are of above 400 hec. area. But in the region about 53% tea gardens having the area of above 400 hec. In West Bengal one third tea gardens comprising the area of above 400 hec.

### **3.6.3: Area Wise Classification of Tea Gardens in West Bengal**

The area wise classification in different tea growing regions of West Bengal over the past 56 years that is (1951-2007) with 1951 as a base year is presented in table 3.11.

**Table 3.11**  
**Area Wise Classification of Tea Garden in West Bengal (Figures in Hectares)**

Region /State	1951	1961	1971	1981	1990	2000	2007	% increase over 1951
Darjeeling	16569	18605	18245	19239	20065	17228	17818	7.53
Dooars	54609	54756	59485	63418	67760	69703	72918	33.52
Terai	8402	9344	10769	11314	13345	20548	24359	189.91
West Bengal	79580	82705	88499	93971	101170	107479	115095	44.62

Source: Tea Statistics 2007-2008, published by Tea Board

From the table 3.11, it can be immediately seen that the area under cultivation of tea in West Bengal rose by 44.62% over a period of 56 years (1951 to 2007).

In the Darjeeling region the area under tea cultivation rose by 7.53% and in the Dooars region it raised by 33.52% over the period i.e. 1951 to 2007. In contrast to this, the area under cultivation of tea in the Terai region rose by 189.91% over the same period of time.

One important reason for this little expansion possibly was the effect of the West Bengal Estate Acquisition Act, 1953. Under sec. 6(3) of the Act. About 29000 hectares of land belonging to tea states and constituting 29% of the total area under tea cultivation in the state was vested with the State Govt. An analysis of the 7 years development plans submitted by the tea garden indicates that the estate is left with very little suitable land for the expansion of plantation.

### 3.6.4: Production of Tea

The growth of production of tea in different tea growing regions of West Bengal over the past 56 years, 1951 to 2007 is presented in table 3.12.

**Table 3.12**  
**Production of Tea in Three Regions of West Bengal (Figures in '000 K.G.)**

Region/State	1951	1961	1971	1981	1990	2001	2007	% increase over 1951
Darjeeling	7839	10107	10293	12226	14499	9841	10007	27.65
Terai	6376	9253	12954	15782	21130	49388	87502	1272.36
Dooars	63994	66898	80840	100251	114124	127611	138835	116.95
West Bengal	78158	86258	104087	128259	149735	186840	236344	202.39

Source: Tea Statistics 2007-2008, published by Tea Board

It can be seen from the table 3.12 that the production of tea in West Bengal rose by 202.39% over the last 56 years period i.e. from 1951 to 2007. In the Darjeeling region growth rate is 27.65% & in the Dooars region growth rate is 116.95%. In contrast to this, Terai tea growing region is ahead of Darjeeling & Dooars region of West Bengal i.e. 1272.36% over the period i.e. 1951-2007. This is due to higher yield rate in the Terai region to that of Darjeeling & Dooars.

### 3.6.5: Average Yield per Hectare

The movement of the yield per hectare in three tea growing region of West Bengal is presented in table 3.13.

**Table 3.13**  
**Average Yield per Hectare of Three Tea Growing Region of West Bengal (in K.G.)**

Region	1951	1961	1971	1981	1990	2000	2007	% change over 1951
Darjeeling	473	543	564	635	723	539	562	18.81
Dooars	759	990	1203	1395	1583	1850	1904	150.85
Terai	1172	1222	1354	1581	1684	2107	3592	206.48
W.B	982	1043	1176	1365	1480	1689	2053	109.06

Source: Tea Statistics 2007-2008, published by Tea Board

It can be seen from the table 3.13 that average yield in the Terai region is the highest i.e. 206.48% over the period in comparing to Darjeeling, Dooars & also all the West Bengal average.

So, in conclusion we can say that from different perspective viz area wise, production wise, average yield per hectare wise, Terai is ahead other two growing regions i.e. Darjeeling & Dooars of West Bengal. The progress of tea industry in West Bengal during the post-Independence is more or less stagnant.

### **3.7: Growth as Well as Challenges Faced by the Tea Industry in General and Dooars Region in Particular**

Tea and coffee are the two drinks we can hardly do away with and the Indian tea companies are likely to cash in on this.

A supply constraint helps an industry in fetching good prices for its products in the market and this time the ongoing drought in Kenya has come as a boon for the Indian tea exporters. "Kenya is one of the largest producers of tea but the recent drought in the country has skewed demand and supply equation resulting in high tea prices across the world," says an analyst of IDBI Capital.

Industry experts reckon that in the last eight years for the first time India is falling short of production in CY06. Total consumption is expected to be 1,000 million kg. against the total production of 975 million kg. This shortfall of 25 million kg. is likely to take the tea prices further up in future <sup>11</sup>.

Different aspects of growth and challenges are stated below:

#### **3.7.1: Demand Drivers**

Growth in tea demand emanates both due to shortage in supply and excess in demand. Drought in Kenya is one of the prime reasons for the bright outlook of the tea industry in India. Kenya is one of the largest producers of tea in the world. Incidentally, its consumption of tea is almost nil.

During 1996-1997 tea prices were very high across the world. However, later on there was a supply glut as more land was brought under tea plantation. During this period Kenya emerged as one of the largest exporters of tea in the world and was that the period when in however, now after eight years prices have again started moving up and India is likely to benefit from it. Per capita consumption is another interesting factor to look at. India's per capita consumption of 650 gms is still less when compared to the markets of Pakistan and UK with a consumption of 1 kg. and 2.5 kg. respectively. Considering the gap in figures, India has bright chances of increasing its tea production. Recent surge in coffee prices has also added effervescence to the tea industry. The rise in coffee prices has forced people to shift from coffee to tea. Besides, world-over international companies like Coca Cola have plans to launch tea-based beverages <sup>12</sup>.

### **3.7.2: Strong Positioning**

One heartening matter for the investors is a good premium commanded by companies in an auction. In 2005, tea prices were low across all major tea auction centres of the world. But post December at the Mombassa (Kenya) auctions, there has been rise in tea prices. For the period between January-July 2006 prices have increased by 38.4% compared to corresponding period in the previous year.

Experts have also forecasted drought-like condition in Assam. This reduced supply is likely to increase the prices in the international markets. According to a tea report by IDBI Capital tea prices are expected to move at an annualized rate of 10% till 2008.

### **3.7.3: Plantations**

Currently, tea prices are rising. If a company wants to benefit out of this it needs to have its own tea plantations. This leads to better margins for a company. Take for instance Mcleod Russel India and Jay Shree Tea & Industries have their own tea gardens and enjoy better margins. However, in a recent trend many tea companies have hived off their tea plantation businesses.

### **3.7.4: Manufacturing Method**

Black tea is preferred in India, Pakistan, US, Russia and the UK. In the black tea category there are two popular manufacturing methods -Orthodox and Curl, Tear and Curl (CTC). Currently, in almost all kinds of manufacturing CTC tea is applied. Large importers like Pakistan and Saudi Arabia promotes CTC tea. Therefore it is important to consider the manufacturing process and thereby gauge the demand for the same.

### **3.7.5: Location**

Location is also important to measure the fertility of the land. The profitability of the company can be best measured by its yield per hectare.

### **3.7.6: Maintenance**

Tea estates are huge. The biggest challenge is to maintain them. A company that spends large amount of money in maintaining the estates can hit its margins. Therefore it is important to look at the financials of the company and look in terms of efficient management of tea estates.

### **3.7.7: Valuation**

With a P/E of around 40x valuations are high for the tea industry. In this regard it is important for an investor to look at the forward valuations of a company.

The ratio factors in the growth rate of a company and gives a larger picture about the company. Tea industry is an export driven industry. Total net foreign exchange earned annually from the industry is around Rs. 1,847 crores. Exports are expected to increase further on account of increasing world demand triggered by Kenyan drought. On the whole, tea industry is in a mood to refresh the bulls.

The commerce secretary has also urged the Indian tea industry to gear up for meeting the challenges of integration of Indian economy with the global market by improving productivity, cost competitiveness and conforming to international hygiene and quality standards<sup>13</sup>

Speaking at the inaugural session of the International Tea Convention organized by United Planters' Association of South India in association with the Tea Board in Kochi, the commerce secretary said that the Indian tea industry is in throes of a major change following the paradigm shift the industry has been witnessing the world over following the progressive reductions in import restrictions and other market related development.

So far the Indian tea industry has grown under an environment of import ban and other protective policies. However, by virtue of being a signatory to the World Trade Organization (WTO), the industry can no longer hope for such protective umbrella.

“Doing away with import restrictions are the order of the day and the Government will have to progressively lower the tariff wall on imports within a short span of time”, Parbhu said delivering the keynote address at the convention. He said the Central Government has already eased tariff restriction on several commodities imported from SAARC countries, including tea in tandem with the idea of forming a South Asian Free Trade Association (SAFTA). He said the new paradigm that rules the global market hinges not only on price competitiveness but also on adhering to quality and hygienic standards.

The Indian tea industry should understand the new rules of the game and adapt to the changes for its survival in the next millennium, the commerce secretary has urged. Referring to the cost-price mismatch, Prabhu said the tea sector, despite reverses in the past, tea prices have gained more compared to other agricultural products in the past.

“While the price index of tea stood at 500 in 1998, it was 455 in the case of entire food products and 300 in the case of sugar;” the commerce secretary said adding “therefore the industry’s claim about non-remunerative prices is quite contrary to the facts”.

He said, the Central Government is watching the movement of price and production of tea closely as it falls under the purview of essential commodities. Though, the total tea production last year was estimated at 870 million kg., in 1999 it has failed to catch up with the ever-increasing growth in consumption with production from January to July this year down by 64 million kg. compared to last year.

“During the past one decade, the domestic tea consumption has grown by over 10 million kg. per annum. However, the production has failed to catch up with consumption growth putting pressure on exports and prices.

The Government is concerned at this development,” the commerce secretary said adding “if the shortfall in production pushes up the prices, the Government will have to allow bulk imports to maintain the price line.”

He said the situation has stemmed from the fact that despite the increase in aggregate production, productivity of Indian tea plantations are lower compared to international standards<sup>14</sup>.

Growers should focus on improving the productivity and should realise that bringing in more area under cultivation could not check increase in production cost. “The only way out for Indian tea industry to face the new challenges is to improve productivity,” he added.

The decade of Nineties has been quite depressing for the tea industry in India. First, it was the disintegration of the erstwhile USSR which was solidly a loyal market for the Indian teas. The USSR lifted huge volumes. In the mid 90s, when the market received, the Russians were looking for cheaper teas. There was a scramble in the tea industry, particularly in the South, to meet the Russian demand at their prices.

The South Indian teas deeply destroyed their image while matching the prices offered by the Russians and in the process totally disregarding the quality. In the North, and later in South too; the industry was continuously facing labour problems. Some gardens had even closed and were bought by traders who had money on their hand since their plywood business had been closed down under orders from the Supreme Court of India.

The traders had expected large profits from the tea gardens and did enjoy that for some time. Later when the fortunes of the tea industry declined in consequence of the Kenyan bouncing back in the global markets, the traders simply abandoned the plantations and disappeared to avoid payments on account of social obligations. They were too new to the industry to understand its complexities and did not know the plantation business. When the industry saw some light in the aftermath of a drought in Kenya, the traders wanted to go back to their gardens but were prevented.

In many cases, the laborers had taken over production and were marketing green leaf harvest to the Bought Leaf Tea Factories (BLTF). This gave cause for enormous social tensions.

The labour was only one of the many problems the industry faced. There were difficulties on trade front, auctions, transportation, sales, taxation etc. On the whole, the situation in the Indian tea industry was pathetic. Yet, most individual firms were doing fairly well, an issue that requires a proper understanding of the way the industry is organized and operates.

### **3.7.8: Medium Term Export Strategy**

Tea Board which has the responsibility for overseeing and regulating production and trading including exports, was already withdrawing from the controls and regulations. The Board undertook an exercise to develop mid-term strategies for increasing exports during the Tenth Plan period. The objectives of this exercise were:

- Focused efforts at developing and promoting an “Indian Tea” Logo and assistance in brand-building approaches of major players.
- Geographical diversification of markets and consolidation of existing primary markets.
- A comprehensive exporter rating and reliability management programme.
- Targeting value-addition and niche segment opportunities in specific markets.
- Re-alignment of the product-mix in line with demand in key high-value markets.
- Comprehensive product quality up gradation programme.
- Robust industry-wide information technology backbone for greater transparency and dissemination of price and other market related information.

In line with the medium term export strategy for Indian tea (2002-2007), the Tea Board in 2002 strategied on 22 markets. The plan was to increase Indian exports of tea to these markets to a total of 280 million kg. which was almost 72 million kg. incremental.

On the contrary, the exports actually declined during this period and there were significant losses in important markets like Arab Republic of Egypt, CIS, UK, and Poland. Some small size but well paying markets like Saudi Arabia, Germany, Japan, France, Ireland and Sudan also saw Indian export declining.

There were some increases in quantities exported to USA, Iran, Syria, Canada, Australia, and Netherlands but together these markets lifted small volumes.

On the whole the industry did not do well and then began the blame game. The tea industry blamed Tea Board and the Tea Board lamented lack of support from the industry particularly in markets where concentrated efforts were planned. While concern on exports declining sharply was expressed in all quarters, not much concrete was done to reverse the situation.

Presumably such inactivity was in honest recognition of changed global situations which were steadily turning adverse to India. In the year 2004, India lost its eminent position of the largest producer of tea to China. Kenya had already taken over Sri Lanka in exports pushing India to third position. Of course, India had doubted China's emergence as a top ranking tea producer, citing limitations in collection of field level statistics and under reporting of production. Tea Board was then engaged in revising the production data.

Present global strategy at the Board level includes among other things capturing China's domestic market for black tea. The industry doyens both at home and abroad have made many caustic comments about functioning of the Tea Board repeatedly pointing out that it neither has the experience nor the expertise to handle issues in global marketing. A study by IIM Calcutta had made many critical comments on the concerned Division. In fairness, it must be noted that the Tea Board formed in 1952 was mainly to control and regulate the Indian Tea Industry.

Under the changed circumstances presently, in which the clientele system has different and many more expectations, it would be appropriate to redefine the charter of the Tea Board, refocus its activities, and down size it.

In doing so, the highly dynamic and well focused functioning of the Tea Boards of Sri Lanka and Kenya could be useful inputs. One of the strategies to beat the competition is to know how it operates.

Tea industry in India is at crossroad not knowing how to reverse the adverse trends in global markets that have directly affected its fortunes. There is fierce competition abroad, India's un-competitiveness on account of high cost and poor quality and changing consumer demand. The home markets are slowly but steadily opening to imports which can well competes on both cost and quality parameters. The latest position is such that the Tea Board is now perhaps hopelessly resigned to the fact that India can not compete in the global markets at least in the immediate future. The strategy is to protect the industry in the home markets since the tea industry particularly the plantations employs a huge labour force. Unfortunately, not much is known for sure about the actual consumption in the domestic market.

Some say it is growing, others feel it is stagnant, and in some informed quarters there is a feeling that India's average domestic consumption is growing more than the increase in the global consumption.

The fact remains that whatever the domestic market consumes, there is still sizeable surplus between 180 to 200 million kg. that needs to be sold in the world markets. Trade estimates are that roughly half of this is poor quality and at best would fetch a price of around Rs.40-45 per kg.

Assam teas are a quality product, still much valued in the international markets but suffer the disadvantage of seasonality and high prices. Assam produces nearly 56% of India's tea. A careful analysis of the performance of Indian tea industry in global markets reveals some interesting insights. First, India had leadership position in countries where it had bilateral

trade agreements. As these agreements expired, India's leadership also weakened. Such is the case with the markets like Russian Federation and Poland. India probably has a weak case in markets that are free and have high purchasing power.

Two, India continues to export tea in commodity form whereas the demand is shifting in favour of tea bags. Indian teas although quite gutty, are light weight and do not infuse easily in tea bags. Trade knows it well that Indian teas are not all that suitable for tea bags. Since the world markets are steadily and increasingly moving towards tea bags, India is in a disadvantageous position for not having the right kind of teas. India can continue to export tea in markets which consume it in commodity form but that pattern of consumption is fast changing.

Indian tea industry has some good local brands in individual markets abroad, but they are feeling the heat in competing with the globally established brands. That is where serious concerns for future arise. Can Indian industry survive in markets that are changing and face the competition of the global giants? The answer to this question lies in knowing the markets and competition in them, emerging trends, and clear role definition for different segments of the industry. Business has to be segregated from the bureaucracy<sup>15</sup>.

### **3.7.9: The Competitors**

India is a producer, consumer and exporter of tea. The Indian exports declined by 13% during 2003 but increased by 4% in 2004 over the previous year volume.

During this period the Indian rupee had appreciated by 7% thereby making Indian exports more uncompetitive. Even otherwise, India is a high cost producer of tea because of high cost of labour and capital. Kenya produced 3, 24,000 MT teas and reported to have exported 3, 33,000 MT teas. The production in Kenya continues to increase although the exports are not so buoyant. In direct competition with India's CTC tea, Kenya has done exceedingly well. Kenya had offset rising labour cost by depreciation of their currency.

The currency devaluation is a short term measure and often has other effects particularly when a country like Kenya runs a large import bill. Besides, the currencies that are devalued could soon appreciate.

Such is the dilemma of the Kenyan exporters. Continuing appreciation of Kenyan Shilling, from KSH 71 to 66 for a USD in few weeks, has robbed the significant currency advantage. With the Government of Kenya refusing to intervene, the exporters are left to fend for themselves. A much talked about option is to hedge but that too can help only in a limited way.

Sri Lanka produces 3, 25,000 MT of tea. Sri Lanka encourages producers to pack good quality tea thereby, effectively checking over supplies. Sri Lanka exports around 3, 05,000 MT teas. By exporting only the quality teas, Sri Lanka has bounced back in the global markets for their orthodox teas.

Their product portfolio consists of three types of teas grown at different elevation and that insulates Sri Lankan tea industry from fluctuations in global prices. Sri Lanka has a very strong presence in the tea bags segment. It has very successfully established two global brands that are well entrenched in the markets for tea.

During the last decade, large investments were made in producing quality teas and machinery for tea bags. A great deal of this machinery came from India.

Although presently China has a small share (around 8%) in black tea, it could make much more black tea. Besides, the market for green tea is expanding and that could affect to some extent the market for black tea.

### **3.7.10: The Markets**

A detailed analysis of competitive positions in the key markets for tea is given below:

UK and Ireland are the traditional markets for tea but their imports have been declining. Even then the UK blenders continue to be the global market makers. UK is where the blending industry first started decades ago.

Pakistan has a population of 154 million people, 66% of them live in rural areas. Pakistan consumed 1,09,000 MT in 2003. After the break up with the East Bengal, Pakistan had tried the Sri Lankan teas but shifted to CTC tea from Kenya. Kenya took a 66% share in Pakistan imports during 2003. India is now keenly looking forward to wresting a sizeable market share from Kenya. The Pakistan market is dominated by CTC leaves. Pakistan levies income tax on imported tea. By all accounts, Pakistan would soon be a fierce battle ground for global tea suppliers. Sri Lanka signed a FTA with Pakistan and is a fellow member of SAARC, a regional agreement.

India is gradually but surely improving relations with its immediate neighbour. If India can get a strong foothold in the Pakistani market, that would offset its loss of the Egyptian market to Kenya. Both Egypt and Kenya are members of COMESA, another regional agreement. Both Sri Lanka and India have a big location advantage vis-a-vis Pakistan.

Pakistan's relations with Bangladesh are also improving. Indonesia, although relatively a small producer of tea, has big exportable surplus and would seek access to Pakistani market. With the per capita consumption nearly stagnant and a small increase in overall market size, Kenya's leadership would be threatened. To retain its share in the Pakistan market, Kenya will have to spend large amount of money for media promotion.

The cost so incurred will have to be compared with the gains from retaining the dominant share. Kenya of course has much more tea to sell globally given that its home consumption is quite low. Tea Board of Kenya is engaged in promoting and increasing consumption of tea at home and the neighbouring African nations.

The Russian Federation has witnessed an 18% growth during the last 10 years, which is quite high and makes Russia as the biggest importer of tea in the world. No wonder, most major tea packers are setting up shops in Russian Federation. India has lost considerable share in CIS markets. The Indian exporters were content supplying poor quality teas in response to low prices offered by the CIS countries under the special Rupee-Rubles rate trade. In the process a basic lesson in consumer behavior was blatantly ignored. When an economy expands, more money comes to people; they seek more choices, and the market shifts in favour of better quality and convenience.

A careful watch over developments in CIS markets would have prevented this downslide. Clearly that is a legitimate function for the Tea Board but it had failed even though a Director Market Promotion is located in Moscow. With the Russian market and for that matter even Poland, having turned around both Sri Lanka and Kenya are making strong efforts for selling their tea.

The recent establishment of a Tea Trading Center in Dubai has generated considerable concern among the global tea suppliers.

Dubai of course offers access to the whole of Gulf market and other countries in West Asia. More importantly a land route is available for transporting tea from Dubai to Russia at much less cost than any other mode. Using IT, Dubai has more efficient systems for business and logistics <sup>16</sup>.

Coffee dominates the US market. For tea, it is mainly an iced tea market where cheaper teas are used. Nearly 70% of Argentina's tea production is absorbed in the US. India can not compete in this segment because it offers only the high priced teas.

Some small scale entrepreneurs of the Indian origin are sincerely trying to popularize specialty teas in the US market using the ethnic route. Tea bags were invented in the US in 1904 and they have become increasingly more and more popular because of speed and ease in preparation.

A scientific symposium in US tea and Health was held in 1991. Since then, tea is being repositioned in the US market as a health drink. The health benefits of tea are a global message and that sells hot in USA. Bottled water in US is growing at 20% per annum. Some of that growth can be taken by bottled tea.

Egypt consumes 77,400 MT. Almost the entire quantity is imported and in that Kenya has a 66% share. Both Kenya and Egypt are members of COMESA. Egyptian imports have declined by 11% causing a big gap in balancing global tea trade.

Japan market for tea imports has not increased, rather it is stagnant. But internal readjustment is taking place; from predominantly a gift market, it is now a liquid tea market.

### **3.8: Observations on Global Situation**

The situation in the world markets for tea can be characterized by over supplies, a slow growth in demand, and a fierce competition. It is necessary to reduce global supplies by increasing domestic consumption, curtailing production or at least limiting further extension of area, and developing new markets.

#### **3.8.1: Supply Side**

Supply issue is the cardinal problem for the industry in the near future. Supply side places impeccable pressures on packers who have to compete in the super markets against small margins.

Some 16 million kg. tea is in surplus and how to dispose that is a problem. Some other use has to be found for this excess quantity to balance supply and demand. About 100 million kg. tea floating in the global markets is substandard. Such tea should be destroyed as per the ISO 3720 and that should hopefully improve price situation in addition to tackling the problem of buffers. Only the good quality teas should be exported by the producer countries. Through rigid controls, Sri Lanka has removed poor quality teas from their exports. Others need to follow this route.

The threat of area under tea expanding is a major tension among key producers. The producers in Sri Lanka have a program for replanting which is helpfully falling behind the targets. Kenya and China both have land available for increasing area under tea. Surely that would increase the supplies and add to surpluses.

The expansion of area under new planting should be carefully reviewed. In 2003 at the time of coffee crisis, International Coffee Organization held a round table conference in which the World Bank and other donor organizations participated.

The agenda was to examine the lending policies of the donor agencies that led to expansion of area under coffee cultivation. Such a round table discussion is necessary for tea industry as well. The supplies have to be regulated but any attempt in that direction is bound to fail. Such is the nature of the commodity trade.

#### **3.8.2: Consumption in Producing Countries**

Except for India and China, most other producers consume only a small proportion of their production. To address market balance problems, domestic consumption in producing countries should be stimulated. Kenya produced 3, 24,000 MT teas and reported to have surprisingly exported 3, 33,000 MT teas. The home consumption in Kenya is small and the

Tea Board is currently working on a strategy to boost domestic consumption. The GDP growth in Kenya is around 3% per annum.

It is not clear why per capita consumption of tea in Kenya fluctuates from year to year. It might be, the world prices affect the per capita consumption in Kenya, some surmise that every time illegal tea imports enter Kenya, per capita consumption goes down. Kenya is also embarking on value addition. It is also exploring new markets such as USSR and Poland.

If Indians could drink half a cup more per day, the problem of surpluses will disappear and that could make buffers history. Such is the power of even a small increase in consumption for a large population base.

In view of surpluses, growth in production should be checked. Producing countries have to control production on a voluntary basis in the long term interest of the tea industry. The increase in production through productivity increases, as recently witnessed in Turkey, does strengthen their competitive positions and serve their national interest. Among the global suppliers, China is another concern. Like India, China is a producer, consumer and exporter country. Although presently China has a small share in black tea, this appears to be increasing. It has already removed export quota on tea from January 1, 2006. Black tea is becoming popular in China and they are served in tea-houses in Beijing and Shanghai.

### **3.8.3: Health Benefits**

Physiological functions of tea Catechism have been deeply studied and by now their beneficial effects on the human body are well recognized. The suggested consumption pattern is to drink tea right after meals. If consumed even 30 minutes later, it would do no good. Likewise, if consumed with other food, the ability of body to absorb catechism reduces. For catechism, the quality of tea does not matter; harvesting two leaves and a bud is not necessary. In fact the whole bush can be harvested to make catechism. That is potentially a very large application waiting to be exploited commercially.

Tea is health. But it has to compete with other beverages. Relentless growth of cold drinks over hot drinks has put tea on back foot. The industry leaders opine with optimism that a shift towards tea is taking place on the plank of health benefits. Lipton in UK and USA has turned around those markets for black tea by using the health plank. Consumed in commodity form, it does have some health benefits but this claim is considerably weakened for value added liquid teas. The material tea used in making liquid teas is of comparatively poor quality and much less in quantity. In the liquid RTD cola, barely 3% of tea is present. What health benefit that 3 to 4% tea would give is a question mark. The claim of health benefits in that context is not being wholly truthful.

Attempts are also being made to turn around the black tea market in Japan on the plank of health benefits. It is hoped that such efforts would cause a shift in consumption away from coffee or coke to tea. The research on health benefits of tea in Japan is oriented towards that goal. Coffee is also trying to project similar health benefits.

### **3.8.4: Price Variability**

Tea has much lower variability in consumer prices compared to coffee. For tea it is 2%, coffee has 30% and coke 39% price variability. A stable price means higher consumer loyalty and that has to be exploited.

### **3.8.5: Unit Values**

Compared to 1998, the global values in tea have declined by something like 38%. There has been a sharp decline in prices globally. In the final analysis, unit values realized are more important than the volume of production and exports.

### **3.8.6: Auctions**

Auctions in producing countries such as Sri Lanka and Kenya have been quite efficient in price discovery and these countries are constantly working to strengthen their auction systems.

Colombo Auction distributes about 1 million samples (small quantity) every week. A main concern in Colombo and Mombassa is to reduce the time cycle from an average of 26 days to 20 days or even less.

Presently, it takes 13 days for cataloguing and sampling prior to auction and another 13 days after auction for stocks to be lifted and payments made. During this period considerable capital is tied up.

In contrast, India has been on and off fiddling with their auction system presumably under the weight of the trade power of some of the giant corporations. Having recently made auctions not necessary, nearly half of the produce is now sold directly and the remaining half, mostly the substandard product that can not be sold directly, is brought to the auction. The poor price fetched in auction becomes bench mark for wage payment to the plantation labour. While this formula follows the practice in Sri Lanka, the striking difference is that in Sri Lanka everything is sold through auctions that are quite transparent. The same can not be said of the Indian auctions.

The tea auctions are organized by the traders under the regulatory control of the Tea Board. Auctions need to be modernized. The recently introduced electronic auctions in Coimbatore and Coonor are struggling through teething problems. In the final analysis, the auctions can be successful only if a fair relationship exists between the auction prices and the direct sales. Scope for value addition and availability of the facilities needed for value addition improves auction prices. Such is the experience from Sri Lanka.

Tea has many varieties and varies from garden to garden and even bush to bush. National parameters on quality of tea are not aligned across producer countries. Nevertheless some

standards could be developed and futures contracts considered. If a future market for tea can be organized, that could render auctions unnecessary.

### **3.8.7: Labour Problems**

Many tea gardens particularly in the North-West India are facing closure, as a result of low productivity, high cost of production and declining prices. Economically, these gardens are simply not sustainable. Labour have not been paid wages and other dues under the Plantation Labour Act for several months.

In the foothills of the Himalayas, in Dooars in West Bengal, a major tea producing area, 14 tea gardens are already closed. At least 17,000 workers are jobless and the State Government has admitted 571 deaths in the past 15 months. The Government has announced a Rs.1,190 crore package which will be given over a 15 year period and used to enhance productivity, including the replantation of tea bushes in the plains and rejuvenation of gardens in the hills.

This will be out of Rs.500 crore budget earmarked in the fiscal year 2007-08 for rehabilitation and replanting of the tea plantation sector. The Government has also provided financial help in the earlier years but not much has improved<sup>17</sup>.

In some cases the Government is also considering the option of taking over the closed tea gardens and handing them over to new owners, under a provision in the Tea Act that has never been used till now. Most of the Government support is directed towards the tea plantations. The answer is right there in the continuous agitations and unrest among the tea plantation labour. In the context of the globalizing Indian economy, even the talk of the Government taking over sick tea plantations is a regressive step.

### **3.8.8: Low Profitability in Production**

The corporate like Tata Tea have mostly got out of plantations. They realized that there is more money to be made in marketing and the risk in that is much lower although the cost of market development is quite high. The production entails risk on account of weather conditions and falling prices. Labour cost is quite high since hand picking of tea is quite labour intensive.

To reduce the cost, some plantations are resorting to longer picking cycles; say 15 to 18 days against the ideal 10 days. On top of this, they are also harvesting three or even four leave and a bud disregarding that the tea manufactured would be of poor quality and fetch low prices. The ideal is two leaves and a bud. The high cost of fulfilling social obligations towards the plantation labour is another reason for the Corporate to get out of the

plantations. It is not that the plantations simply do not offer prospects for profit. Some companies, like Williamson Magor, do make money and have survived through even the most difficult periods. They have the experience, efficient plantation management systems in place, and principals sitting in the key markets.

### **3.8.9: Cost Leadership and Pricing**

Quality leadership does not mean turning a blind eye to cost. Price is the crux of the problem and that has two known solutions: reduce availability or enlarge the markets. Producer countries have been traditionally production oriented. They need to be now more market oriented.

### **3.8.10: Non Tariff Trade Barriers**

Stringent rules of labeling in the developed country markets have adversely affected growth in export trade. Quality standards have been set by non-importing consuming countries. Some of these standards are not even scientific but they inhibit world trade and increase in consumption.

Maximum residual limits (MRL) are a hot topic among the producers. MRL operates on every single agricultural product and not specifically for tea. The Indian tea industry is by and large quite sensitive to these limits.

The cost of conforming to ever increasing regulations in the guise of food safety, consumer right to know and ethical practices is quite high. Unethical pricing does not allow adhering to ethical practices at different levels during production and trade.

Fair and ethical trade requires additional cost and presently that is a load on the producer. The entire issue needs to be examined in socio-economic context.

### **3.8.11: Building Demand in a market**

Building demand in a particular country is a much customized thing. There is a cost of market penetration and there are barriers to entry. In the short run, market intervention, distortion and manipulations cause a weak relationship between international prices and domestic prices. Markets are not perfect.

The world prices are mainly related to CTC teas since orthodox tea is a small segment in the global tea trade.

### **3.8.12: FAO Tea Mark**

The tea mark project approved by the inter-governmental group on tea may have been a sound idea in conceptualization but it has failed to evoke much response at the producer as well as the consumer level.

Some 4.6 million dollars were spent on popularizing tea marks which now seems to be surreptitiously adopted by coffee companies emphasizing “goodness of it”.

Even coffee cups are looking more and more like tea cups. The producer countries don't seem to be too keen on pursuing tea mark. International organization on olive oil received some 5 million euros from EU to make generic promotion and that had reportedly made significant impact<sup>18</sup>.

### **3.8.13: Competition and Competitiveness**

The Indian exports of tea have been sharply declining in most of the key markets. While many individual firms seem to be doing well having created niche markets for their products, their number is definitely not increasing and could even be declining.

Even in the face of major crisis during the last five years, some corporate involved in plantations have done well because of a strong relationship with their principals sitting in London and unflinching respect for quality. The Indian firms are also doing well in Kyrgyzstan, perhaps the last bastion of the Indian tea leaf.

The firm level competitiveness reduces as the market changes and consumers armed with increased purchasing power demand better and different options. Increasing shift towards tea bags is an example of that. The Indian firms, having made only small investments for value addition, can do well only in commodity markets. Whatever new investments in value additions, such as machineries for tea bags now coming through, are not comparable with Sri Lanka that had already invested heavily during the last decade thereby cornering a large share in the world market. Sri Lanka is of course an orthodox tea supplier and does not directly compete with India so much.

### **3.8.14: Diminishing Market Leadership**

India is in CTC teas and in that the competition is with Kenya. Kenyan teas coming from relatively younger bushes have quality that is better suited for tea bags. Their labour costs are comparatively lower. Therefore, the tea industry in Kenya is more competitive than the Indian tea industry as is reflected by India's diminishing leadership in key markets. Kenya has taken over India's leadership position in almost all the key markets. As a matter of fact India is no more a key competitor in the global tea markets. The Indian tea industry is

becoming less and less competitive and Indian firms are surviving mainly in the niche markets that are characterized by imports in commodity form.

### **3.9: Role of Tea in the economy of West Bengal**

Tea plays an important role in the economy of West Bengal in the following ways:

Tea industry generates employment in different ways that include production, processing and distribution. Average daily employment in the tea plantations of North-Bengal is around 260 thousands. Tea is one of the most important commodities for export from West Bengal. Total value of tea export from West Bengal increased from Rs. 626.27 crore in 1985-86 to Rs. 2302 crore in 1998-99. Kolkata port is the biggest tea handling port in India. Export of tea from Kolkata has generated export related economic functions like storage facility, commercial services etc. Kolkata is also the biggest tea auction market in India. It has promoted tea trading activities. Tea industry has promoted other economic activities like manufacturing of tea chests, development of transport, setting up of tea trading companies etc <sup>19</sup>.

### **3.10: Growth of Tea Industry and Present Situation**

The plantation in West Bengal developed during late 19<sup>th</sup> century by the European planters. Early success of tea plantation encouraged rapid growth of tea plantations in the northern districts of West Bengal. Darjeeling district become important for the production of world famous Darjeeling tea, which still obtains the highest price in the world tea auction in London. After Independence, tea industry in the state continued to grow, although some of the gardens become sick due to improper management and over exploitation.

#### **3.10.1: Causes of Growth and Development**

Tea plantations require humid climate, acidic soils with significant iron content and rolling land to avoid stagnations of water. These conditions are found in Dooars, Terai and Darjeeling region of North Bengal which have facilitated the development of tea plantations. Tea plantation was originally developed in those areas which were not suitable for rice or other food grains cultivation. These areas are more commonly found in the northern districts of West Bengal.

Industrial development in North Bengal is poor. For this reason cheap labourers are easily available in the early period. Labourers used to come from the tribal and other backward areas of Bihar.

Early development of Kolkata port has facilitated the export of tea produced in this region. Kolkata is well connected with tea producing areas both by railways and roadways <sup>20</sup>.

Presence of forest in North Bengal is favorable for the making of packing box for tea.

Kolkata metropolitan region is a very big market for tea. This is a favorable condition for the development of tea industry in the state.

Problems of tea industry and future prospect of tea industry in West Bengal face several problems which may be mentioned as follows:

Nearly half of the total area under tea cultivation in the state comprises tea bushes which are over 50 years old. Neglect in the replanting of tea bushes has resulted into low productivity.

Lack of replanting & lack of proper management have resulted in a number of tea gardens in the state turning sick.

Increasing cost of production results into increasing prices. This situation adversely affects export opportunities. This is more significant in case of Darjeeling variety of tea .

In some cases short-term profit motivation results into over exploitation of tea gardens which adversely affects long term prospect<sup>21</sup>

In spite of several problems, tea industry in West Bengal has a good prospect in future.

Greatest strength of the industry is the growing demand for tea in the domestic market. Efforts have been made to establish new tea gardens and to expand the exiting tea gardens with Govt. support. Many new tea gardens, most of which are small, have been setup in Cooch Bihar, Uttar Dianjpur, Darjeeling and Jalpaiguri districts. Efforts are also made to start tea cultivation in non-traditional areas. In the Ayodhya Hills in Purulia, under a pilot project, tea bushes have been successfully planted in 8.15 acres of land<sup>22</sup>.

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