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CLEAR APPROACH NEEDED TO HALT DECLINE IN ASSAM TEA INDUSTRY

DEVAJIT MAHANTA

Abstract:

There was a noticeable increase in the volatility of the market after 1990s which may be attributed to a number of factors; among them due to the free economic policies exchange rate fluctuations, facing huge competitions from overseas players, supply increases compare to demand. As a result the market strategy has shifted from the seller market to the buyer market. The study tries to find out how Assam tea has to remain competitive instead of cutting down wages of labourer and meet the competition by either market creation or market matching rather than follow the traditional production oriented. The Assam tea industry has to move with a visionary transformation in their approach and have to introduce the integration of small estates and cooperatives, otherwise the crisis will deepen and the decline in tea industry conditions will definitely have ramification in the State's economy.

KEYWORDS:

Electronic auction, Tea Board, Tea Fund, Tea growers.

INTRODUCTION

Assam known worldwide for its aromatic tea gardens in the Brahmaputra and Barak vallies produces 55 percent of the tea produced in India and thus earns crores of rupees as foreign exchange. But due to the growing unrest among the labourers, extortions by extremists, growing competitions from overseas market and lowering of export due to the affects of global economic crisis, a question has gained momentum on whether the tea industry will be able to stand as the economic backbone of Assam. To get back its pride of place in international competitiveness, the tea industry should be modernized with a change in technique of plantation, improvement of electronic tea auction and more importantly managerial excellence.

I.OBJECTIVES OF THE STUDY

The study has been undertaken with the following objectives:

- To undertake the review of the current scenario of Assam Tea industry and
- To analyse the various policy initiated by the Tea Board and the State Government.

II. CONTEXTUAL BACKGROUND AND REVIEW OF LITERATURE

The price of tea has been in long-term decline while production costs have risen due to the strong growth in supply in the face of sluggish demand, putting downward pressure on farmer's incomes and labourers working conditions. Unlike with cocoa and coffee, the ratio of stocks to demand play only a minor role in determining the price level because the quantity of tea stocks held is relatively low (because tea perishes so quickly). Instead stocks function more as a transitory pipeline stage in the supply chain

(Maizels, Bacon and Mavrotas, 1997). Low prices for tea are passed on to the poorest segments of a state in the form of low wages on plantations. Given that it is easier to cut costs than raise prices. The growing unrest among the tea labourers is due to the tea company's failure to address the housing, education, electricity, rations and road network issues which are supposed to be provided to them under the Plantation Act, 1951.

As per the IIM, Ahmadabad (2007) report another crucial problem facing the tea companies is the extremists, who have been issuing threats and killing managers and executives leaving the industry clueless on what can be done to halt this menace. Most tea companies negotiate with the extremists for reasonable price and often shy away from keeping the government posted on extortion demand notes issued by the rebels fearing for the lives of their managers and executives. Extortion is a law-and-order issue and the State must apply all necessary forces to suppress its manifestations and restore normalcy.

Kashyap (2009) in his study revealed that the unilateral decision of the Government of Assam to impose surcharge of 20 paise per kg on green tea leaves with effect from February 2009 has created uncertainty among the future of the over 65,000 small tea growers of Assam. The All Assam Small Tea Growers' Association has moved the Gauhati high Court against this decision of the government. It is matter of great regret for the indigenous youth of Assam who earned livelihood for their families still have not given settlement of land rather than imposing a cess.

Tea industry of Barak Valley which accounts for around 120 gardens; 70 percent of them being owned by the Tea Association of India, is facing recession since 1999. Due to its higher price, tea producers there are facing huge competitions from Sri Lanka, Kenya, Vietnam, Cuba, etc., and there has been therefore a gradual fall in its export order (Das, 2008). In the 55 Annual Report of Indian Tea Board (Tea Board, 2008-09) revealed that in the world scenario, the effects of the liberalised regime of imports under WTO obligations and freeing of tea imports among SAARC countries apart from India's Free Trade Agreement with Sri Lanka on preferential Tariff terms (thereby allowing import of Sri Lankan teas at concessional duty rate), increased competition in international markets, developments affecting Assam exports in countries such as Russia, Libya, Iran, Iraq etc., continued to provide a serious challenge to the Assam tea industry. But with the reduction of import duty in Egypt there is now a greater prospect of increasing Assam exports to Egypt.

The new electronic auction format was unveiled in the last quarter of the year 2008. The e-auction system will provide an excellent platform for unbiased and transparent price discovery mechanism and more teas can be sold in a short span of time. From the current scenario of one or two day auctions, the system provides the capability of completing the auction program in one day. Exhaustive reports can be generated from the system to meet the requirements of various stakeholders on the same day (Tea Board of India, 2010).

Tea being export oriented, the facility of futures trading would be to the advantage of the exporters and will contribute to export promotion. In this regard Sinha (2003) stress that Futures trading would help producers to hedge against risks of price volatility, which was particularly true for the small and medium tea growers of Assam and rest of the India. The Tea Board and the concerned interests should work towards the evolution of such a framework so that futures trading in tea are possible. Though in February 2005, The United Planters Association of Southern India (Upasi) has initiated a dialogue to start futures trading in tea in the country till date the project has not been kicked off as brokers, the major players in the tea trade are yet to decide on their participation in the Upasi Commodities Exchange Ltd (UCEL).

III.POLICY INITIATIVE

a.Electronic Tea Auction Centre

To facilities for participation of large number of buyers in the bidding process which is not possible in manual auction due to limitation of auction hall's space and considering the request of Indian Tea Board, in 2008 Government of India set-up tea E-auction system in Guwahati along with Kolkata, Siliguri, Coonoor, Coimbatore and Kochi under the aegis of the Ministry of Industry and Commerce. According to PTI report (2008), when buying and selling of tea is introduced through the E-auction platform, transactions would take place between producers and buyers directly, which might curtail or even eliminate the role of the 148-year-old legacy of "open outcry" system. The tea broking firms, which have been in the business for several decades and some even for a century, might be looking for some way out to protect their interests and as a result the success of Guwahati E-auction centre was a reluctance and resistance from the users (Table-1). Guwahati E-auction centre official hoping that with time small and big all tea planters have accepted the system in a positive manner because it cannot be outright the potential benefits of e-auction system.

Table-1: Tea sold through Guwahati Electronic Auction during 2009 -10 & 2010-11

Year	Quantity (Million/Kg)	Average Price (Rs/Kg)
April 2009 to March 2010	56.74	109.08
April 2010 to March 2011	50.27	119.16

Source: Tea Board of India, 2011

Some of the important benefits of the e-auction system are-

Direct participation by each auction stakeholder.
 Flexibility in setting up of auction sessions in any auction day.
 Facilities for participation of large number of buyers in the bidding process from anywhere since web based which simultaneously reduction in transaction time and cost.
 Planning tools in the hands of buyers and other stakeholders as bid history and analysis is easily available.
 Facility for submission of 'Auto Bid' by the buyers which is only possible in e-auction system. Even system will facilitated for generating Tax Invoice and Delivery Order after conclusion of sale.

a.Special Tea Fund Scheme (STFS)

For encouraging tea gardens to take up large scale uprooting and replanting of old aged tea bushes, for improving production and productivity for competitive sustenance, creation of irrigation, drainage and transportation facilities Government of India launched 'Special Tea Fund Scheme' in 2007-08 under the supervision of Tea Board of India. But due to global recession in 2007-08 it was unable to make use of the scheme to the desired extent during last two years, however as the price of tea showed the consistent upward trend since April 2009 (Table-1) Tea Board expected that the industry will be in a position to take up large scale replanting in the coming years. The activities supported under the scheme during the year as under (Table-2).

Table-2: Supported activities under STFS Scheme for all the growers

Sl. No.	Activities Supported	Rate of Subsidy
1	Replantation/Replacement planting and Rejuvenation	For these activities financial assistance by way of loan @50% of the unit cost and subsidy @25% of the unit cost was provided through STFS.
2	Creation of Irrigation facilities	The subsidy for these activities was provided @25% of the actual cost subject to a combined ceiling limit of Rs.10000 per heater.
3	Creation of Drainage facilities	
4	Creation of Transportation facilities	

Source: Tea Board of India, 2008 -09

a.Quality Up-gradation and Product Diversification Scheme

The main objective of Scheme is to serve as a catalyst for tea factories/blending/packaging units to undertake investments in modern technologies/processes (either for expansion or for replacement), which would eventually enable quality improvement, and higher realizations through the production of better quality/value added teas. The activities supported under the scheme during the year as under (Table-3)-

Table-3: Supported activities under quality up gradation & product diversification

Sl. No.	Activities Supported	Rate of Subsidy
1	1.Modernisation of the processing factories by replacement of old and worn out machinery : 2. Procurement of processing machinery for orthodox tea in 100% CTC factories & 3. Setting up of new factories by the Self Help Groups of small growers.	Subsidy @ 25% on the actual cost of machinery subject to a ceiling of Rs.25 Lakhs per factory per annum). (For item 2 & 3 subsidy @ 40% subject to a ceiling of Rs.25 Lakhs per factory per annum).
2	1. Value addition by way of creating additional infrastructure for cleaning, blending, colour sorting, packaging etc. 2. In case of machinery for orthodox tea in 100% CTC factories.	(Subsidy @ 25% on the actual cost of machinery subject to a ceiling of Rs.25 Lakhs per factory per annum). For item 2(Subsidy @ 40% subject to a ceiling of Rs.25 Lakhs per factory per annum).
3	Quality assurance certification for ISO/HACCP and Organic Tea	(Subsidy @ 50% of the certification fee subject to a ceiling of Rs. 1.00 lakh per certificate including renewals per annum).
4	Setting up of new factories for production of green tea, orthodox tea and specialty teas etc (product diversification).	(Subsidy @ 40%of the cost subject to a ceiling of Rs.25 Lakhs per factory per annum).
5	Incentive for orthodox tea production.	Subsidy @ Rs.3/- per kg of actual production of leaf grades and Rs.2 per kg for dust grades and an additional incentive @Rs.2 per kg of the incremental Volume over the previous year.

Source: Tea Board of India, 2008 -09

a.Human Resource Development Scheme

Primary objective of under this scheme aims at induction of professionalism in plantation management, improve labour productivity, skills improvement at all levels from workers to managers which will be in the nature of complimenting but not replacing the statutory provisions of Plantation Labour Act. The activities supported under the scheme mentioned in the Table-4. But in the year 2010 and 2011 no disbursement for drinking water, sanitation, assistance to disabled persons, educational stipend for the wards of workers for pursuing higher studies and book and school uniform grant was made as the Board did not receive any application for these activities.

Table-4: Supported activities under human research development scheme

Sl. No.	Activities Supported	Rate of Subsidy
A	Labour Welfare Measures	
1	Drinking water (One water point source with hand pump and platform)/Ring well for every 200 workers)	Rs.12000 /unit
2	Sanitation (one unit of sanitary latrine for every 100 workers)	Rs.15000/unit
3	Capital grant for extension of medical facilities and purchase of medical equipments and accessories	70% of the cost or Rs.8 lakh whichever is lower
4	Capital grant for construction of clinics and hospitals	70% of the cost or Rs.12 lakhs whichever is lower
5	Assistance to disabled persons dependent on tea garden workers	@Rs.2500 per disabled person
B	For education of wards of workers	
1	Educational stipend for the wards of workers for pursuing higher studies	Actual tuition fees and 2/3 of hostel fees
2	Capital Grant for extension of school buildings and construction of hostels	70% of the cost or Rs.8 lakh whichever is lower
3	Capital cost for construction of schools	70% of the cost or Rs.12 lakhs whichever is lower
4	Book and School Uniform grant	@Rs.1000 per student
5	Assistance to Scouts and Guides and sports activities	
C	Training programmes	
1	Short term training programmes for growers/workers and plantation managerial staff	The financial assistance for training to be shared in the ratio of 60:40 for growers / workers: managers
2	Training of Trainers (Extension service providers for small growers) :	Course fee for training at TRA / UPASI TRF@: Rs.10,000/trainee Boarding and lodging during the training period Rs.6000/trainee Honorarium @Rs.500
3	Setting up of Plantation Productivity councils in all the plantation districts, seminars and conferences and National Commodity information Grid	To be organized in collaboration with IIPM

Source: Tea Board of India, 2011

I.Findings and Recommendations

The tea industry of Assam, after a long phase of turbulent history, witnessed a growth spurt in the recent period. Assam produced 63,706 million kg of tea in 2010-11 compared to 58,010 million kg in 2009-10. By employing 20 percent of the workers, the Assam tea industry has contributed substantially to the economy. The Assam tea varieties come in three basic types black, green and oolong. Assam is the only region in the world that has its own variety of tea, called 'Camellia Assamica' other than Chinese tea variety 'Camellia Sinensis'.

Recently the orthodox variety of Assam tea got the Geographical Indication (GI) status under the intellectual property rights that affirms the geographical origin of orthodox tea and provided legal protection not just to the product but also to the people associated with its production. The GI status will help Assam orthodox tea to get recognition globally, which would add to the income of the tea industry in Assam.

Almost 90 percent of the gardens are more than 80 year old and they are belonging to the same owner since establishment. They are satisfied with the price of tea in auction and hence they do not think about branding and packaging.

Some of the recommendations are-

Incentive for the small growers and opening of new offices of the Tea Board in the areas of small grower's concentration namely Jorhat, Dibrugarh and Tinisukia.

Creation of enhance infrastructure for tea research, training and quality laboratories. Also existing Toklai Tea research centre should launched the project to development of geographic information and passed it accordingly to tea growers.

Tea Board should take the imitative to conduct feasibility studies and seminars among the small and medium tea growers to create an awareness of tea cultivation and financial support that could be availed from Tea Board and State Government.

II. CONCLUSION

In Assam, tea growers did not give much attention on the marketing aspect as they always enjoy a readymade market for their product. But in the recent past due to oversupply of tea against demand, the market strategy has shifted from the seller market to the buyer market.

The potential benefit of the Guwahati Electronic Tea auction centre has outright the intermediaries though there was an initial reluctance and resistance from moving away 148 year-old legacy of open outcry system to a completely electronic platform.

To ensure success of tea futures exchange necessary step should be taken so that once the tea prices are available online, growers, processors, and domestic/export buyers will not only be able to monitor the price movement, but also take risk-averse measures for protecting their interests. The market players will be able to take advantage of the facilities of hedging and managing their risk.

Regular promotional activities of the Board were also carried out including through participation in various trade and consumer Fairs and Exhibitions internationally. The Geographic market portfolio needs to be diversified in order to reduce the dependence on the few major importing countries and create a more balanced basket. Efforts are now being focused on tapping the potentials in the Far East and ASEAN region as well as Egypt and Pakistan.

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