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TRAGEDY OF TEA-I When The Golden Brew Turns Red

By ADITI ROY GHATAK

The ghost of the venerable Sir Percival Griffiths, who knows more about Indian tea than most, will raise his eyebrows in askance. So would a more modern-day pundit, the chairman of the Tea Board for instance, travelling incognito in the northeast and seeking to buy tea from a bought-leaf factory. “Diesel ya electric walla?” would be a very likely question he would be asked: only to be stumped.
Yet, this diesel-electric phenomenon, in a nutshell, is at the heart of the current crisis in West Bengal’s and northeast India’s premier industry: tea. Sectional misdemeanour and industrial lethargy around concerted action to address the issues have been eating into its financial vitals. Ask anyone in the industry, some whisper, others shriek: “the bought-leaf factories” — an estimated 80 in Assam and half the number in West Bengal — that are producing between 100 million kilograms and 150 million kilograms of often unmonitored rubbish that is deepening the pool of red around tea.

Competition
The industry is already reeling under global competition driven by low production costs at other growth centres fortified by extremely savvy marketing. The burra sahibs of India are more accustomed to sitting before their cash registers, basking in the glory of the Soviet sales, till the Soviet honeymoon ended. Auction averages for north Indian offerings were down by around Rs 20 (up to May 2002) and even in early August buyers are reportedly picking up leaf in Tinsukhia or Dibrugarh and not at the Guwahati sales.
What does this have to do with the “diesel or electric” question? This is a 21st century phenomenon around “bought leaf”, that began as an excellent proposition to encourage small growers and even families around the tea belt to grow tea in cultivable areas available with them. This leaf would be bought by established factories in an effort to improve the overall economy of tea-growing neighbourhoods. There are some excellent bought leaf factories but the vast majority are not. Possibly the organised sector expected that it would monitor and control quality of leaf produced by the small growers so that everyone benefited. Central and sales subsidies were made available for them, sometimes benefiting them by as much as Rs 25 per kg against the organised sector with their statutory costs. What was missing is no statutory control over them and there lies the rub.

Cash purchases
What has emerged today is too much of a good thing with many of the mushrooming and now banned plywood factories converting themselves to tea factories. They make cash purchases of anything that can pass for tea

leaf, process them and sell them to a section of trade that makes merry with poorly made, cheap, untaxed teas, all of which have a market in a country of a billion tea drinkers. Efforts to plug this loophole by calculating quantities of teas manufactured by these factories from their electricity consumption — a fairly accurate deduction — and then to tax them accordingly have been effectively nixed by the wily operators who have shifted to diesel as fuel, which does not show up on electricity meters. Once again, the diesel-powered output is output is outside the tax net and, therefore, cheap.

This is the diesel-electricity phenomenon in tea that ensures that industry is left with a furrowed forehead as it tries to strategise its way out of the glut in tea. Come the September bonus negotiations and all hell will break loose with closures and part closures being reported everyday.

Today, when the organised segment of the tea industry is publicly desperately trying to improve quality and indeed curb quantity, an unquantifiable volume of what passes as tea is virtually killing the tea economy. It makes a mockery of official statistics and, therefore, of any plans and projections made on the basis of last year's crop having been around 850 million kg.

Foreign exchange

If a domestic glut — an estimated 61 million kg carry forward from last year — is the problem at home, the problem overseas is just as worrisome, notwithstanding that none of the other centres can produce qualities that quite match India's Darjeeling, Assam's tippy orthodox or CTC second flushes or for that matter the Nilgiri flavour. The tragedy of Indian tea is that like the morning cuppa it has been taken for granted: by the government to which it is among the highest taxed agro and a source of foreign exchange and to industry that tea has always served well.

Today, as Indian exporters scan the globe for market share, memories go back to 1983. The central ban on CTC exports (to stabilise domestic prices) and other export barriers over time effectively destroyed perceptions of India being a reliable supplier of teas, and indeed, forced large takers, such as the UK, to develop other sources of supply and their own blends that did not need Indian inputs.

Sri Lanka and Kenya benefited from India's whims while India, then comfortably placed with the relatively undemanding Soviet volumes, counted cash, ignored quality and swore by the theory that the golden goose would forever lay eggs. Indeed, after the Soviets went off the screen, Indian producers were quick to switch to CTCs and are paying the price today.