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TRAGEDY OF TEA-II Time For The Government To Act

BY ADITI ROY GHATAK

The Soviet adieu left the country gasping in 1990, when one fine post-Christmas Monday morning, there was no Russian presence in the auction and India was saddled with several million kg of teas, all dressed up to travel but nowhere to go. CIS offtake had dropped from 128, 601 tonnes in 1990 to 46,637 tonnes in 1994 and the recovery since then has been painstaking. The former USSR/CIS combine imports between 192,000 tonnes and 200,000 tonnes. India accounted for only 77,460 tonnes of this intake, having lost its virtual monopoly here.

While the quest for new destinations continues, domestic operations have hardly helped. On the one hand, there are efforts to break the back of the auction system that has stood the test of time, offering Indian teas a transparent forum for comparison, promotion, sales with guaranteed payments while providing the government a failsafe source of tax collection at no cost, actually assisting good qualities to secure better prices.

Distress sales

On the other, there are direct, even distress sales of teas in private deals. Such sales are motivated by either of the two concerns: the gardens are in such financial straits that they cannot wait for teas to go to the auctions. They have to surrender to anyone who is at hand with cash with which to keep the gardens going. Two, those who have nothing to do with transparent systems that would tell the world their selling prices and even their purchase prices.

This segment includes some of the biggest producers and the biggest sellers of teas. When dominating influences on the industry place self before collective good, it does not auger well for tea and there is little doubt that the tea industry why quick to shed tears about its problems does not have the discipline to act collectively; not even when some gardens are being forced to sell at prices that do not even cover their costs of production.

Yet things were not always so and industry has helped itself in the past having realised that, by and large, governments have hardly been a saviour as far as tea is concerned. The first major crisis after the World War II peaking of demand, in the early fifties, saw some 120 estates close down and labourers remorselessly thrown own of work. The government's response was to set up the Raja Rao Committee, which presented its report only in 1955, by when the cycle had changed and tea was headed for a boom time again. Matters were better handed two decades before, in the early thirties, when a prospective glut was controlled by restricting production till markets improved.

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Employment

Unless industry acts, one may well expect a repeat of the fifties phenomenon, which the owners may survive but not the workers. Tea, it may be remembered is still a Rs 10,000 crore industry (Rs 6,000 crores worth of primary produce) and among India's top three employers — with around 1.1 million people directly employed by it; 50 per cent of them women and in backward areas of the country. Around 10 million people find indirect employment through tea which also puts in around Rs 1,850 crores into India's dollar wallet.

Certainly someone should have the vision to control the forces that damage it, never mind how big their clout. It may be a question of low cost finance or motivating exports (through duty drawback), value addition, quality or even imposing controls on production. It may be a matter of determining minimum labour productivity or monitoring quality at all levels and even tightening the tax net.

It may be a combination of all of these. None of these options are beyond the scope of an industry that wants what is good for itself. It may also mean promoting tea effectively in the country as a health drink — Indian per capita consumption is amongst the lowest in the world. It is all very well to exhort people with "piyo more chai" slogans but when the tea industry collectively fails to take on a salt producer that exhorts people to drink less tea and consume more salt instead, one has to question the quality of backbone and the grey matter the tea industry is endowed with. Certainly, getting the output figures right is not something that a professional, century and a half old industry should find such an undoable proposition. If the bought leaf factories are at the source of the problem, certainly the government can link the subsidies to the quantity these units put through the auction system so that both their quality and quantity are not deep and dark secrets.

Formula

Alongside, there is a fairly set formula, provided the final price is known. To say that in an organised industry such as tea it is not possible to determine the final price would be to suggest that it is the underworld and not the government that is calling the shots.

Under fair circumstances, the small growers should receive around 68 per cent of the final tea prices as the price for the green leaf. This varies from types of growths and manufacture, depending on the recovery rates that the government is perfectly au fait with. Price stability may also be ensured — as Sri Lanka has — by insisting that 96 per cent to 98 per cent of their teas go through the auction system. The success of the system is clear from the fact that Sri Lanka experienced no more than a Re 0.39 drop in tea prices even in such adverse circumstances while India, where large producers have tried to evade the auctions took a hammering of more than Rs 20.

If there are rough edges in the auction system, certainly they can be evened out. Given the total chaos around tea prices, possibly it is time for the liberalised government to act — industry will cry for help behind closed doors and be publicly strident about controls — or else there will be more tears for the cup that cheers.

(Concluded)

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