ISSN: 0971-1260
Vol-22-Issue-10-November-2019

ICT! What Next For the Small Tea Growers of The Niligiris District?

Dr.K.Bindhu
Assistant Professor,
Post-Graduate and Research Department of Economics,
Ethiraj College for Women (Autonomous), Ethiraj Salai, Chennai.

1. OVERVIEW

Food and Agriculture Organisation's Inter Governmental Group On Tea (IGG/Tea) has reportedly started that Tea price may fall sharply as supply may outstrip demand. This raised alarm among the Tea growing Community in India and over the world over more particularly within the small tea grower's community of the Nilgiri's District. In line with the FAO's strategic objectives and an important millennium development goal, the Intergovernmental Group on Tea has given strategic priority to the monitoring of the welfare of tea smallholders (known as small tea growers in India), emphasizing on the impact of changes in the production and trade environment on their income and food security.

The Small Tea Growers of the Nilgiri's district have been distressed with low prices for the raw tea leaves cultivated and supplied by them for more than quarter of a century.

The Small Tea Growers of the Nilgiris District majorly belong to the aboriginal agricultural group of people of the District, these groups who before the advent of the British in the District in 1799 practised shift cultivation and grew crops such as Ragi, Samai, etc and later on influenced by the British grew English vegetables such as Potato, cabbages, carrots, beans etc. and as the influence of the British grew stronger have converted most of their agricultural lands into Tea Plantations, and since then Tea and the Tea Industry has been their main source of Income.

After Independence from the British the Tea cultivated by these Small Tea Growers was exported mainly to the erstwhile Soviet Union until 1991. In 1991 the Soviet Union disintegrated and along with this event, India saw the opening up of its economy being the advent of globalization and liberalization. The tea based economy of these small tea growers saw a negative tilt in fortunes and the prices for the raw tea plummeted to an all-time low where the cost of cultivation coupled with labour cost per kilo of tea was more than the cost of raw leaves per kg given to these small tea growers by the factories which were the main procurers of the raw tea (Report on small tea growers-TEA BOARD OF INDIA).

The co-operative moment initiated by the Tea-Board, a Central Government initiative though initially was a runaway success also got brow-beaten by the negative market sentiments that set in after the advent of the change in economic policies of 1991 and the fall in the Russian tea market.
From 1991 onwards the various Central and State Governments regimes intervened by announcing various relief packages like subsidies etc. to these small tea growers, but the robustness of the pre-1991 markets could not be regained. For instances the Tea Board the primary guiding, policy making and funding body of the central government could not effectively use the allocated fund for the benefits of the small tea growers due to proper information.

ISSN: 0971-1260
Vol-22-Issue-10-November-2019

There was various protest, dharnas and appeals made by these Small Tea Growers collectively but though it got a hearing from the State and Central Regimes, and some policies were announced in haste the main issue of minimum support price where the cost of yield is greater than the cost of production was not achieved and the trend in weak tea prices accelerated the financial indebtedness of these Small Tea Growers.

The debt ridden small tea grower whose family fully depended on the income from tea and where most members though literate were uneducated had to seek alternate income generating avenues to sustain their families and to keep the family hearth burning, but the Nilgiris District though being home to the Tourist Destinations like Ooty and Coonoor did not have any alternate mass employment generating options such as Universities, Colleges, Hospitals etc., Though it was home to various Schools, these schools mostly catered to the rich and affluent people who were mostly from abroad or the plains.

The Small Tea Grower was also rendered with no other options in the Hill District as he always had to depend on the quality facilities available in the neighbouring District of Coimbatore for his and his families higher educational, medical and other essential needs. In case of any major health or educational need he had to rush down to Coimbatore and stay in a rented accommodation to ensure he received and benefitted from those needs, but the cost he incurred on food and accommodation in Coimbatore tore into his wealth and soon he became debt-ridded, he could not represent his agony as he was handicapped by language barriers as his native tongue had very few speakers and was understood only by his ilk and on the other hand he did not know how to fluently speak, read or write in the official language of the state, this in turn resulted in him being left with no other options but to migrate to the neighbouring district, not in search of greener pastures but just to escape his indebtedness and poverty, forced to stay in rented accommodation and do menial jobs for one square meal, the once proud owner of a small tea plantation, which he ignorantly albeit proudly proclaimed to be his “estate”, was unwillingly entrapped in the noose of a debt-trap, the noose of the trap is getting constricted by the day.

The advent and aspect of ICT in India has been a big game changer, as it has expanded the horizons of job creation but the advantages of this info revolution could not be capitalised by the people of the Nilgiris in general and the Small Tea Growers in particular due to lack of awareness, and sluggish developments in creation of digital infrastructure in the District.

2. OBJECTIVES

1. To ascertain the factors affecting the price of green tea leaves.
2. To identify the role ICT would play to mitigate the woes of the Small Tea Growers.

FACTORS AFFECTING THE PRICE OF GREEN TEA LEAVES

The Tea industry in India is buyer-driven commodity chain and primarily controlled by the big tea companies. There is lack of transparency in tea industry about different stages of price creation across the chain. The chain of stakeholders in different stage of creation before the manufacturing of made tea are the small tea growers, Bought leaf factories and the co-operative tea factories. After the manufacture of made tea the stakeholders for direct sale are the consumers and for auction sale they are the brokers, tea board, auction centres, registered buyers, international buyers, up country buyers, packers, wholesaler, semi-wholesalers, retailers and consumers.

ISSN: 0971-1260
Vol-22-Issue-10-November-2019

Small tea growers typically sell their green leaves through 4 possible channels, namely:

1. Indirect through middlemen/leaf agents/collectors, or direct
2. Stand-alone privately-owned processing units (known as Bought Leaf factories in India and usually a small/medium enterprise)
3. Integrated plantation units (large tea gardens or tea estates plantations)
4. Cooperative/collectively-owned units with small tea growers participation.

There is lack of transparency in fixing of green tea leaves prices as can be seen above there is an involvement of middlemen in all the four possible channels, whose roles are not regulated, their vested interest acts as a wall to the small tea growers keeping them ignorant on the aspects that determine the prices of their produce. The small tea growers do not have collective ownership of factories and regulations and institutions do not intervene, they are left to the whims of an un-organized imperfect market for green leaves. The first-ever survey of small tea growers in Assam in North-East India, which is in this category, revealed that unregulated agents play an important role in the sector, selling 93 percent of the green leaf produced by small tea growers. This fact holds truth even for the small tea growers of the Nilgiris. There is an asymmetry of information leading to poor bargaining power of small tea growers as they are not organized.

According to UPASI (Business Standard report) "Tea prices in South India are at unviable levels, with the average price during the year 2013-14 up to September dropping to Rs.85 a kg from Rs 105 during the corresponding period last year. At the same time, wages have gone up between 9 to 19 per cent in the three tea producing southern states of Karnataka, Tamil Nadu and Kerala."

The increase in wages, which has no linkage to productivity, coupled with spiralling costs of other inputs such as fertilizers, has crippled the tea plantations and they are on the verge of collapse.
It is said the co-relation of wages and the price level was an easily accessible health indicator of the tea industry. When the daily wage in Tamil Nadu was Rs.8.20 in 1980, the average price was Rs.12.66 a kg. The equation gradually changed and in 1995 both was almost a par- the daily wage at Rs39.88 and the average price at Rs.41.25 a kg. If one compared it on a scale of 100 with 1995 at the base, the wage in 2024 has gone up to Rs.528 in Tamil Nadu, Rs.485 in Kerala and Rs.681 in Karnataka whereas the average price is at Rs107. In addition to the basic wage, the organised sector spends an additional 75 per cent for discharging the obligations of social costs. Central and State Governments are yet to provide support for sustenance of tea plantations.

There are around 70,000 small and marginal tea growers, with land holding of approximately 49,000 hectares in South India depending wholly on tea. Almost half of South India's tea production is contributed by this segment with tea leaves supplied to the Bought Leaf Factories.

During the period from January to august 2014, South India's production stood at 158.49 million Kgs compared to 147.73 million kg showing a year on year increase of 7.3 per cent. During 2013, the production stood at 241.79 Kgs, a marginal growth of 1 per cent.

ISSN: 0971-1260
Vol-22-Issue-10-November-2019

Plantation sector is additionally burdened with social cost of providing housing, medical, educational and other infrastructure facilities and the Government for the local population.

MISMATCH BETWEEN DEMAND AND SUPPLY

A mismatch between the demand and consumption of tea in 2014 lead to a surplus of 180,000 tonnes and tea prices dropped by 5.3 percent, a decline at 2013 prices, according to the UN body. World tea output stood at 5.13 million in 2014. “Caution needs to be exercised by the stake holders in the world tea economy” the IGG said adding that greater efforts should be directed at “expanding demand”. Studies made by the IGG indicate that although prices may increase in nominal terms in 2024, in real terms prices may actually decline by an annual average of one percent between 2014 and 2024.

The FAO, IGG/Tea, represents a forum for intergovernmental consultation and exchange on trends in production, consumption, trade and prices including global appraisal of market situation and short-term outlook. It met recently at Kenya. Among the 92 delegates were all major member countries like China, India, Kenya, Sri Lanka, Canada, Germany, Indonesia, Malawi, Japan, and United Kingdom. Observers from the International Standards Organization and International Tea Committee also attend such meets.

DECLINE OF DEMAND IN RUSSIAN MARKET AND EMERGENCE OF NEW PRODUCERS LIKE KENYA, SRI LANKA

The Russian market has moved on to Organic tea products and newer producers of tea are giving a tough competition to the Nilgiris Tea, the Kenyan Tea said to be similar to the famously geographically indicated Darjeeling Tea has received a warm welcome with the habitual tea drinking nations though Kenyan tea production is besought with the problems of drought of late. Similarly, the tea from Sri Lanka and China are gaining in significance.

CLIMATIC CHANGES

The rainfall pattern has also changed when compared to the previous decade. The winter seasons seems to curb the productivity and at times the plants go dry without even one plucking cycle of green tea leaves. There after it takes a months’ time for the bush to come to its original positon. This clearly indicate that there will be no revenue for at least three to four months which is huge burden for the small tea growers.

QUALITY

The green tea leaves quality is determined by plucking process. A good tea powder is manufactures with fine leaves of having two leaves and a bud. This “two leaves and a bud” is the magic mantra of “fine plucking” for best quality tea powder which is clearly defined by the Tea Board Authority and Upasi during their awareness campaign. The quality has been affected due to reasons such as dew, frost and minimum fine plucking as the pruning cycle and usage of fertilisers is not practised on a regular basis due to want of finances. Adverse reports by NGO’s such as GREENPEACE on

ISSN: 0971-1260
Vol-22-Issue-10-November-2019

the use of Pesticides has affected the price of Tea as the Globe is seeking to go organic in many ways.

LABOUR ISSUES

According to the Tea Board, the small tea growers in general have small holding of land ranging from fifty cents to ten acreages which is maintained and taken care by the family members. Primarily due to the consistent fall in prices for the green tea leave members of the family had to find alternate occupation which had forced them to disintegrate from the joined family to nuclear family. This has led to migration without much choices. Hence the labour forces slowly had shrunk which lead to high labour cost. Moreover, hired labour has seen demand for minimum wages, where the rate of minimum wages per day is more than threefold of the revenue returns from the tea leaves yielded per day, thereby practically making it unviable for the small tea growers to hire labour.

MIDDLEMEN

One of the main stake holder in determining the price for the green tea are the middlemen. These middlemen operate as buying agents from the More than a middleman they act as the financiers to the owners of the manufacturing units. The The first-ever survey of small tea growers in India, which is in this category, revealed that unregulated agents play an important role in the sector, selling 93 percent of the green leaf produced by small tea growers. There is an asymmetry of information leading to poor bargaining power of small tea growers as they are not organized.

POLICY PARALYSIS

The Tea Board the foremost regulator of the Tea Industry in India introduced in early 2004 a price-sharing formula based on the Sri Lankan model, under its powers under a delegated legislation. The costs accruing to the small growers for producing green leaf, the cost of manufacturing "made tea" by the processing factories and the ratio of conversion of 'green leaf" into 'made tea' was considered and studied by an independent professional body. The price-sharing formula envisaged that the sale proceeds were to be shared between the small tea growers and the manufacturer-processor in the ratio of 60:40 when the average price realized by the manufacturer for all teas during the reporting month is either equal to or less than the monthly combined average auction price for teas of the said growing region. Where the price realized by the manufacturer exceeded the monthly average auction price, the differential between the auction average price and the price realized by the manufacturer was to be shared in the ratio 50:50 as in Sri Lanka.

However, attempts by India to regulate distortions in the market for green leaves have not been successful compared to Sri Lanka. Three major reasons include:

1. The geographical compactness of the tea sector in Sri Lanka and the proximity of the grower to the factory;
2. The efficiency and inclusiveness of the auction system at Colombo (accounting for 96 percent of all tea sold); and
3. The strength of manpower and the institutional arrangements that have been put in place by the Tea Board and the Tea Small Holdings Development Authority (TSHDA) of Sri Lanka.

ISSN: 0971-1260
Vol-22-Issue-10-November-2019

Small tea growers usually face high transaction costs and lack bargaining power in the green-leaf and input markets. Transaction costs are influenced by the regulatory environment and the prevailing institutional set-up. There is a supporting institutional framework in Kenya and Sri Lanka, but it is currently lacking in India.

PROJECTED ROLE OF ICT IN TEA INDUSTRY IN THE NILGIRIS

The benefits of the ICT era where usage of digital media and devices are meagre and if at all available, the availability is not sustained to the people of the district as it is a District which had to face the extremes of the monsoons resulting in landslides, power breaks, that resulted in discontinued access to the digital devices which relied on electricity to benefit from its usage. The Nilgiris can proudly boast to be a great source of Hydel Power Electricity Generation District, but the advantage from that electricity generation has not reached the small tea grower to derive benefits from the digital revolution powering ICT as technology requires uninterrupted electricity.

The ICT has seen a quantum leap in India due to the advent of 3G and 4G connectivity coupled with the usage of smart phone technology. The Government of India initiative to give each citizen a unique identity through the Aadhar cards, coupled with statutory backing, the stage is set for each and every citizen to benefit from the ICT revolution in India, where information is sought to be gained at a swipe of a finger. Further the shift from web – based information to Application based information opens a doorstep delivery capabilities of government benefits, policies and projects.

The information about needs of the small tea growers with respect to tea related material need for small tea growers should be ascertained by the Government bodies. Secondly the uninterrupted availability or accessibility to the mobile telephones, land telephones, facsimiles, Internet, email and CD/DVD/IMM-CD facilities would empower the small tea growers. Thirdly, training regarding the awareness and the use of common computer software such as, MS Word, MS Excel and MS Power Point., telecommunication services like ADSL, CDMA, Global Positioning System (GPS) and Wi-Fi and Internet services like Facebook, Google, Skype and You Tube should be provided to the small tea growers. Fourthly, periodic seminars or training sessions should be given to the small tea growers, wherein they are exposed to current trends in planting and marketing of green tea leaves, stressing on better yield and quality, through the means of ICT.

3. SUGGESTION AND CONCLUSION

The awareness of the benefits of ICT should be created amongst the small tea growers, for which the Governments of India needs to formulate apt public policy that would enhance and empower small tea grower’s skills and bargaining power. The smart phones which the Government of Tamil Nadu proposes to provide to all family card holders should include apps (applications) where online benefits and information should be specifically created for the use of the small tea growers. Capacity building for small tea growers, must not only include technical advice but also inputs on small enterprise management, finance and the wherewithal for them to set up self-help groups and other producers’ organizations. Proper contracts and their enforcement between small tea growers and processing units need close supervision and monitoring by regulators and small-growers’ bodies or public institutions. Regulations relating to pricing of green leaves need to be strengthened

ISSN: 0971-1260
Vol-22-Issue-10-November-2019

so that distortions in the market due to the perishable nature of their produce (green leaves), presence of intermediaries and limited number of buying factories are to be ironed out. Right use of information and communication technology(ICT) tools, especially mobile telephone technology, in dissemination of market information should be encouraged. Small tea growers need to be well-represented in all institutions that are set up or are reformed. The Government should render support to Research and Development and in extension services. Regulating these advisory services and encouraging private institutions by tax breaks could be viable solutions. Government could also provide incentives to enhance infrastructure for green-leaf storage and transportation. Partnerships with large international buyers and organizations encouraging socially and environmentally sustainable production of tea could also ultimately benefit the small tea growers. Hence, the Small Tea Growers could be skilled and knowledgeable though the accessibility of the ICT tools backed by constant training sessions.

4. REFERENCES

[1] Tea Statistics, Tea Board of India,2014.
[2] Report of UPASI, 2014.
[3] Contribution of smallholders to the tea sub-sector and policies required to enhance their livelihood, Colombo, Sri Lanka, 30 January - 1 February 2012, Intergovernmental Group on Tea, Twentieth Session.
[4] Indian Tea Association: Indian Tea Scenario (Kolkata, 2002).
[5] The Hindu
[6] The Business Standard
[7] The Time of India
[8] Micro, Small and Medium Enterprises Department, Policy Note 2013-14.