

**NRPPD Discussion Paper**

**20**

**COMPARATIVE ANALYSIS OF EXISTING  
MODELS OF SMALL TEA GROWERS IN TEA  
VALUE CHAIN IN THE NILGIRIS**

**Pallavi Mansingh**

**Liby T. Johnson**

2012



**COMPARATIVE ANALYSIS OF EXISTING  
MODELS OF SMALL TEA GROWERS IN TEA VALUE  
CHAIN IN THE NILGIRIS**

**Pallavi Mansingh  
Liby T. Johnson**

2012

## **ABSTRACT**

The tea value chain is structured along a hierarchical relationship with the global buyers dictating terms to the producers. An inherently asymmetric balance of power relation increases the vulnerabilities of the producers. At the same time the small producers in this value chain are not merely passive recipients but dynamic actors who are constantly engaging with the value chain. This study looks at how the major shifts in the global tea industry have impacted upon the men and women who constitute the periphery of this value chain and how they in turn have asserted their space in the value chain.

Through the case of the small tea growers of Nilgiris, this paper locates small tea growers in the global tea value chain and examines the relational construct within the tea value chain and explores how the territorial and regional specificities and institutions mark the contours of the value chain. This is done through a comparative study of existing models of small tea growers' collectives in the Nilgiris. The paper points at the lack of any governmental arrangement that addresses the concerns of the STGs, though the proposed Tea Directorate can potentially benefit the STGs through more focussed implementation of schemes and increased transparencies.

## I. Introduction

Various models of collectives of STGs exist in the Nilgiris – INDCO Co-operative, Self Help Groups (SHG), TANTEA Estates and Primary Producer Societies (PPS)s. In a situation when the higher ends of the value chain restructured and exerted pressure on the lower ends of the chain, each of these efforts at collectivisation is unique and determines how STGs inserted themselves in the global value chain and in the process how far they are able to build a counter pressure to the global capital. While they were shaped by the existing institutional set up of the Nilgiris, they have also exerted their impact to reshape these institutions. The first three programmes are government initiated programmes while the fourth is initiated by non-state actors. INDCO cooperative sets itself on the co-operative principles of economic participation and equity. SHGs focus on financial inclusion of women. TANTEA locates itself in corporate philosophy of professional management and profit. PPSs aim at giving a collective voice to the STGs at various levels. The paper seeks to inquire if these collectives have achieved their objectives.

Parameters for analysing the collectives seek to understand how far the process of collectivisation has enhanced the bargaining power of the STGs *vis a vis* other actors in the value chain and how have they overcome market entry and improve the accrual of economic value for their produce. They include - enhanced existing marketing linkages or the collective negotiations with processing factories, access to government schemes, linking up with the Tea Board; whether the formation of collective resulted in a better price realisation for STGs? Has the quality and quantity of the leaf improved? Are there reduced input costs? How far are there strong and sustainable and strong internal governance structures in place and is there scope for participation in the

functioning of primary collectives? Is there scope for participation in the functioning of higher-level collectives? These factors define value chain struggles, particularly upgrading and institutional dimensions.

The paper begins with a brief description of the methodology. The following two sections locate the tea industries of India as part of a global tea value chain and the small tea growers therein. Followed by that is a section on the organisation of the tea value chain in the Nilgiris. Thereafter, in the next sections, the territorial, geographical and institutional components of the value chain are discussed including the role of Tea Board. The collective of STGs are discussed in detail in the next section using the parameters discussed above.

## **II. Methodology and Research Questions**

The paper derives from both secondary and primary evidences. A host of interviews across a cross section of stakeholders in October – November 2011– officials of the Tea Board, The United Planters’ Association of Southern India – Krishi Vigyan Kendra (UPASI – KVK), The Tamilnadu Small Tea Growers Industrial Cooperative Tea Factories’ Federation Limited (INDCOSERVE), Coonoor Tea Trade Association (CTTA) and TANTEA support this. Information has been collected in the form of case studies from 3 INDCO factories, its officials and STG members. Interviews of 21 STGs who were members of these INDCO factories were collected. One official in each factory was interviewed. Secondary data available on the INDCOSERVE Website, annual reports and other periodic reports as well as information from the Tea Board documents has been used for the analysis of INDCO Factories. For the PPSs since there was no data available with the Tea Board, selection of the societies was based on the list of societies as given in the annual report of UPASI KVK and the project report of Sustainable Livelihood for Small Tea Growers (Project implemented by Centre for Education and Communication supported by NABARD). A total of 56 Small Tea Growers members of PPSs have been interviewed

**Table (i): Details of Field Visits**

Name	Number of STGs interviewed	Other meetings
INDCO Factories		
Indco factory and its members (Manjurtea)	7	Tea maker
Indco factory and its members (Kattabettu)	8	Special Officer on Duty
Indco factory (Salisbury)	6	Tea maker
<b>Total</b>	<b>21</b>	
PPSs		
Sri Lakshmi Narayana STG Karakorai Society	8	1 FGD
Sri Bharatmata STG Society, Bilikumbi	7	1 FGD
Sri Vinayaka STG Society, Honadulai	6	
Sri Vivekananda STG Society, Honadulai	5	1 FGD
Kundha Small Tea Grower's Society	7	1 GGD
Sri Hirodaya society, Sulur	5	
Ovalley Periyar Nagar STG Society	5	1 FGD
Dharmagiri Chelivayal Society	6	
Aruttuparai Small Tea Growers Association	7	
<b>Total</b>	<b>56</b>	
Tantea factory (tiger hills estate)		Supervisor and workers
Head office – Tantea		various officials
Head office – indcoserve		Managing director
Tea Board		Executive Director and Development Officer
UPASI-KVK		various officials
Auction Centre		Secretary, CTTA

(Table i gives the details). The small tea growers were belonging to nine different societies in Nilgiris. Through draw of lots societies from each of the three key regions of the Nilgiris districts – Ooty, Gudalur and Coonoor were selected. From each collective the effort was to meet 7-9 members. Due to limited resources the fieldwork was planned for a period of 12 days.

### **III. Brand Centric Restructuring of the Global Tea Value Chain**

Buyers and retailers are the most powerful players in the tea value chain with their control over blending and packaging. In fact majority of the price of tea is accounted for by the non-producers – shippers, blenders, packers, own brands and point of sale functionaries. The average auction price of tea is not over 8% of average retail price (Neilson and Pritchard 2011).

1990s saw the beginning of restructuring in the tea industry, a process that was brand-centric and marked by forward integration and consolidation at the near consumption ends. Unilever<sup>1</sup> came to the world tea industry – through its processing and marketing. The Tata Tea Group of Companies, which includes Tata Tea and the UK-based Tetley Group, became the world's second largest global branded tea operation with product and brand presence in 40 countries<sup>2</sup>. This integration at the higher end of the value chain was accompanied by a strategy of disinvestment in plantations. Major tea companies started selling off

- 
1. Unilever acquired Liptons in 1972 and Brooke Bond in 1984 effectively made this made it world's largest buyer and distributor of tea.
  2. In 1983, Tata Tea bought the stake belonging to the James Finlay group. The same year, the company decided to move from the commodities business to consumer branding.



their plantation holdings. Tata tea started to transfer its 17 south Indian plantations to a new company in February 2005 and Hindustan Lever announced in 2005 that it would sell off its 14 plantations located in Tamil Nadu and Assam to wholly owned business subsidiaries (Action Aid 2005). This enabled the companies to maximise profits and at the same time get rid of the risks involved in maintaining and running plantations. From the mid 2000s the 'enclave economy' of the tea plantations was confronted with closures and abandonments. Suspension of work deprived plantation workers not only of their daily income but also access to the basics - drinking water, medical and educational benefits indicating the non-viability of the plantation system. According to rough estimates closure and abandonment of gardens rendered about 60000 regular workers and an equal number of temporary workers jobless (CEC 2004).

Coinciding with these developments at the higher end, by early 2000 small holders increased in number and began to contribute considerably to the tea economy. According to Tea Board of India, the land under tea cultivation of the STGs increased by almost 49 per cent from 2003 to 2007, whereas that under estate cultivation increased by only 1 per cent (Table 1 and 2). The production of the STGs increased from 180.66 million kgs in 2003 to 257.46 million kgs in 2008 (increase of almost 42.5 per cent) whereas the production of the large tea estates increased from 697.47 million kgs in 2003 to 723.36 million kgs in 2008 (increase of only 3.7 per cent). Gradually small grower production became more viable contrary to the theory of economies of scale (FAO 2012). There were increasing investments in bought leaf factories and estate factories which were sourcing their leaf from the smallholders and processing it either separately or together with leaf from their in-house plantation sections.

#### **IV. Evolution of Small Tea Growers in the Nilgiris**

Small holder tea cultivation was not new to the Nilgiris and had existed even prior to the 1990s. They came into existence in about the

1920s. Unlike the plantations of the north which were British owned and managed by the British managing agents, the Southern plantations were owned by the Indian capitalists who emerged around this time. During the great depression in the early 1930s there was a fall in the international price of tea. This fall in prices prompted the International Tea Agreement of 1933, between the main producer nations, India, Ceylon and Indonesia, accounting for 80 per cent of the world tea output. Accordingly, the Indian government passed the Tea Control Act in 1933 by which export quotas were fixed for big plantations. The expansion in acreage was also limited. during this period the plantations controlled by managing agents in eastern India reduced output, whereas the smaller independent plantations of South India and other peripheral areas expanded market share (Gupta 1995). This they did by encouraging small growers to cultivate tea and supply them the green leaf. Around 1961 the government removed the quota restrictions from the estates. It was around this time that the bought leaf factories came into existence (Reddy and Bhowmik 1989).

**Table 1: Growth of total land under tea cultivation in Nilgiris (in ha)**

Year	land (in ha)
1961	20840
1971	22651
1981	24849
1990	26237
1995	35537
2000	60427
2005	66115
2007	66156

Source: [www.teaboard.gov.in](http://www.teaboard.gov.in) (accessed on December 11, 2011)

During the pre-independence period most of Indian tea was exported to Britain. The managing agency system was legally abolished

in 1970 following which India lost the markets in Britain. But soon the trade with USSR gained strength. In 1978 the rupee rubble agreement established strong trade relations of tea and coffee between India and USSR. Tea from South India was particularly exported to USSR and it accounted for almost 80 % of the tea export from South India around mid 80s (Neilson and Pritchard 2009). Small holder cultivation in the Nilgiris intensified from about the mid 1990s. A survey in 2001 indicates that 86 per cent of the smallholders in Nilgiris produced only tea. The increase in smallholder cultivation was responsible for increasing the total land under tea cultivation from 26237 ha in 1990 to 60427 in 2000 (Table 1 and 2). At the turn of the century about 60000 small holders in Nilgiris contributed to about 40 per cent of total South Indian tea production (Neilson and Pritchard 2009).

**Table 2: Growth of small holder land in Nilgiris**

Year	no of estates	Area (in ha)
1981 (upto 8.09 ha)	6375	7237
1991 (upto 8.09 ha)	6563	8130
1999 (upto 10.12 ha)	55601	36774

Source: [www.teaboard.gov.in](http://www.teaboard.gov.in) (accessed on December 11, 2011)

An important reason for this increase was the good prices prevailing in the market during 1996-98. In 1997, there was a decline in the production of Kenyan and Indonesian tea which may have pushed up the demand and prices of Indian tea to historic levels in 1998 (NABARD 2006). The average sale price of tea at the Indian auction centres was Rs. 76.43/kg in 1998. Since then, the prices have been continuously declining and the price was only Rs.56.03/kg in 2003 (Table 3). The reason for this decline was the mismatch between the global demand and supply in tea. In 1998 the global tea production was 3058.4 million whereas the demand was only 2912.6 million (Tea Digest 2002). This created a situation of oversupply in the international market and had an

inverse affect on tea price. The decline of average price of tea from 1998-2003 at an all India level was about 27 per cent but the decline in average price of tea at Coonoor auction was far more at about 47 per cent (Table 3).

**Table 3: Auction Price in India**

Auction Centres	1991		1998		2003	
	Qty	Value (Rs kg)	Qty	Value (Rs kg)	Qty	Value (Rs kg)
Kolkatta	1389.98	48.22	823.8	87.33	1338.74	68.13
Guwahati	1386.44	40.9	1402.26	78.76	1386.64	59.01
Siliguri	919.55	37.79	723.56	74.66	870.9	54.58
Amritsar	3.88	32.67	7.18	51.96	1.9	28.62
North India	3699.85	42.88	2956.8	80.22	3598.18	61.31
Cochin	596.06	35.53	585.86	73.31	506.33	45.78
Coonoor	409.12	28.46	708.47	65.06	405.86	34.55
Coimbatore	310.82	34.37	172.46	68.74	223.31	38.3
South India	1316	33.07	1466.79	68.78	1179.53	39.93
All India	5015.85	40.31	4423.59	76.43	4777.71	56.03

Source: [www.teaboard.gov.in](http://www.teaboard.gov.in) (accessed on December 11, 2011)

Thereafter there has been an overall decline in the auction price. The North Indian tea catered to the high end market in Europe and US as opposed to South Indian tea that targeted the comparatively lesser priced markets of the USSR. Following the fall of the USSR, price of South Indian tea has declined.

Further, with the emergence of a new world order there was an emphasis on liberalisation that replaced the earlier state control and

quotas. New forms of market exchange came into existence the role of regulatory institutions reduced. Tariff reduction, removal of custom duties, discretionary import licensing and other non tariff restrictions came under the WTO regime which ensured hegemony of the market. International firms set quality control and ethical standards. But these developments were lopsided and aggravated the uneven value distribution along the supply chain. While the auction price was falling from 1998 onwards, the price of retail tea remained unaffected (Action Aid 2005).

As the auction price of tea declined, green leaf prices witnessed a sharp decline. As the income of the STGs reduced, they cut on the cost of production by not using fertilizers and manure, not pruning the bushes and sticking to long plucking cycles. By 2003 a large number of small growers are in debt, mostly to BLFs, leaf agents and local moneylenders (CEC 2003). Unfair price fixing pushed growers to the verge of poverty and starvation.

It is in this context that the process of restructuring becomes all the more important. Deconstruction followed by emergence of new forms of governance structures, to a large extent, determines the insertion of STGs in the global value chain. But alongside, there are a whole set of territorial factors and institution formations determining this smallholder engagement. These are in a process of constant interaction and the small holder engagement is forming while it is itself getting formed by the governance relationships, territoriality and institutional formations. The following sections will examine the territorial and institutional components of the tea value chain in Nilgiris.

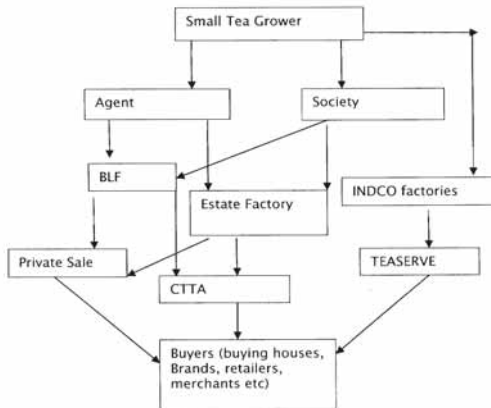
## **V. Tea Value Chain in Nilgiris**

The tea value chain of the Nilgiris can be visualised in Figure 1. A brief description of the different individuals/institutions follows:

**Small tea growers<sup>3</sup>** : They form the peripheral rug of the tea value chain. While all tea growers who possess less than 25 acres (10.12 ha) of land fall in the category of STGs, data of the Tea Board reveals that the average size of an STG landholding is only about 0.7 hectares (1.72 acre)<sup>4</sup>. Vulnerability is exasperated by their lack of access to capital to expand their scale of operations or become equipped to make value additions. They lack the required technical and managerial skills to compete in the market.

The institutional environment within which these small growers engage with the value chain is determined by the interventions of the state as well as non state actors. There have been initiatives to collectivise STGs and upgrade their capacities by the state government as well as NGOs. This paper gives a brief overview of such initiatives in the Nilgiris.

**Figure 1: Value Chain of STGs in Nilgiris**



Source: Field Study (November 2011)

3. This paper begins value chain of tea from small tea growers. This is not to ignore the fact that small tea growers engage workers, but to highlight and give prominence to the fact that most of the small tea growers are workers themselves. STGs follow shared labour system i.e. offering their own labour to other STGs and using their labour when they need or a few workers offering labour to the various STGs in the village – for more information see CEC study on workers of STGs 2010, available on [www.cec-india.org](http://www.cec-india.org).
4. In 2005 the total number of registered STGs in Tamil Nadu was about 61,985. However, the total land under cultivation by STGs was only 43,157 hectares.

The time interval between plucking and processing of leaf should be ideally about three hours to produce good quality made tea. In any case, the tea leaf cannot be stored for more than six hours without damaging its quality. This along with the geographically dispersed nature of STGs leaves less-options. They end up selling leaves to an agent rather than directly approaching the factory.

**Agent:** Agents collect the green leaf from STGS and transport to the processing factory. There are several factors that make agents a powerful player in this value chain. One, the agent gives an impression that he is absorbing the risks. This means that any loss due to delay in transportation or the withering of the leaf does not fall on the farmer. Two, the farmers have taken an advance from the agent. Three, the agent is a trusted member of their own community, sometimes an STG himself. All these factors end up creating a relationship of dependency between the STG and the agent in which the agent has an upper hand and he uses this for fixing the green leaf price. Farmer does not have any say in this.

**Processing Factories:** There are three kinds of factories that produce made tea - a) Bought Leaf Factory (BLF), b) Estate Factory and c) Industrial Co-operative Factories (also known as INDCO factory). Bought leaf factories are private establishments who procure green leaf from the STGs and process it into made tea. Estate factories are processing units of plantation estates. Some of these factories also take green leaf from the STGs alongside their own production. Estate factories in this supply chain include TANTEA estates and INDCO factories which are state run cooperative factories processing green leaf of the small farmers who are their members.

In the first and second case, the small holders who supply leaf are not linked to the BLFs and estate factories, other than as suppliers of

green leaf. Their relationship with the factory is solely market determined. It is indirect and channelised through the agent or the society. In the third case, the small growers are linked to the factory as they are the members of the INDCO co-operative society which owns the factory.

Often there is an overlap between the STGs who supply leaf to the agents and those who supply leaf to the society. These categories are not mutually exclusive. STGs who have not been organised into societies are the ones who largely supply leaf to the agents. But as non members they also sometimes supply leaf to societies. The STGs who are members of PPSs which have been newly formed or are still in their nascent stages can also supplying leaf to the agent. Another common phenomenon is that members of INDCO cooperatives are also members of PPSs and they supply leaf to both.

**Auctions:** Tea produced by the small holders in the Nilgiris reaches the buyers/retailers through auction as well as private sale. Auction is a system which brings together buyers/retailers and sellers and determines price of tea through a competitive bidding process on the basis of quality. Nilgiri tea is sold at the Auction centre located in Coonoor called also called the Coonoor Tea Trades' Association (CTTA)<sup>5</sup> auction started in 1963 and TEASERVE<sup>6</sup> or the Tea Manufacturer's Service Industrial Co-operative Society Limited started in 2003. At the same time a large quantity of tea produced in the estates does not reach the auction and is privately sold to retailers and brands.

Locating small tea growers in the territorial and geographical specificities is an attempt to go beyond a narrow understanding of STGs just as the point of production in the value chain that needs to be upgraded. Instead it enables us to capture the complexities associated with the

---

5. The CTTA auction is held every Thursday and Friday.

6. The TEASERVE Auction is held every Wednesday.



livelihood issues of the STGs which also determines how they engage and resist within the global value chains. The following sections examine some of these intricacies.

## **VI. Geographical and Territorial Components of the STG Value Chain in Nilgiris**

Small tea growers in the Nilgiris are characterised by exclusion and marginalisation as they mostly come from the dalit and adivasi communities. The tribal population of the Nilgiris comprises of the six tribes notified by the government of India as the primitive tribal groups - Todas, Kotas, Kurumbas and Irulas, Paniyans and Kattunayakans - almost all related to tea plantations. Badagas (designated as OBCs not classified as tribals) constitute the single largest group of people engaged in tea cultivation. Most of the smallgrowers in the Ooty and Coonor region are from this community. They speak a language which is a mix of Tamil and Kannada suggesting that they were originally from Karnataka. Existing literature suggests that they migrated to the Nilgiris over several centuries starting mainly with the fall of the Vijayanagaram empire to Tipu Sultan's conquest of Mysore in the late 18th century (badagawordpress.com). Badagas are a very close knit community and have a caring culture. There are common resources jointly owned by the community. At present there are doctors, teachers, engineers among them and many have migrated overseas. They have also created a political space by being members of the legislative assembly (MLAs) etc. But this comprises a very small percentage of the Badaga population. Most of them own small portions of land and cultivate tea. Almost 40 per cent of them continue to live at the subsistence level (nokabettunews.com).

Gudalur became a part of Tamil Nadu only in 1956 and even now the region has a large Malayalam speaking population. In the pre-independence days, the forests of Gudalur were controlled by chieftains from Nilambur - in Kerala. They hunted in the teak and rosewood-rich

forests (TOI 2011). The British recognised their rights over these areas as private janmam land. The land was covered by the Malabar Tenancy Act until 1969 when the Tamil Nadu Gudalur Janmam Estate (Abolition and Conversion into Ryotwari) Act replaced it. A host of legal issues surrounded the conversion of the janmam land to ryotwari land. Around the same time, the forest land under the estates was encroached by small farmers, largely landless dalits, and they started cultivating tea. The ownership status of their land remains contested and they have still not received the land pattas. Gudalur also witnessed migration of Tamil expatriates from Srilanka as per the Shastri Sirimavo agreement of 1963, who were originally plantation workers their rehabilitation was designed to offer them the same work. They settled or were duped to purchase land with falsified papers on their arrival. There are around 300,000 repatriates in Gudalur (Balaji C 2006). So the small tea growers of Gudalur largely are from three categories - a) Malayalis who settled as agriculturalists; b) expatriate Tamilians and c) local Tamilians. Since the small growers in Gudalur do not possess necessary landholding documents, they have been denied registration with Tea Board and, thereby, from claiming the benefits provided by government for STGs as well as access to other commercial services.

## **VI. Institutional Component of the STG Value Chain in Nilgiris and Processes of Collectivisation**

Neilson and Pritchard (2011) while studying the small tea growers emphasise on the institutional dimension and social embeddedness which emphasised on patterns of relation in economic activities. They argued that governance and institutions were necessarily co-produced in an interactive nexus with the global value chain. This interactive nexus was defined by struggle for new forms of value chain governance. The way these struggles are played out and resolved indicates how producers are inserted in the global value chains, the economic returns and the level of control. It is this understanding that forms the basis of our

analysis. A crucial question examined, therefore, is how far have the STGs have been able to build a counter pressure to the global capital?

### **VI a. Role of the Tea Board**

Tea board has been one of the most crucial determinants of the territorial and policy environment within which the small tea growers emerged. The present Tea Board set up under section 4 of the Tea Act 1953 and was constituted on 1st April 1954. It is functioning as a statutory body of the Central Government under the Ministry of Commerce. The Board is constituted of 31 members (including Chairman) drawn from Members of Parliament, tea producers, tea traders, tea brokers, consumers, and representatives of Governments from the principal tea producing states, and trade unions. The Board is reconstituted every three years.

The Tea Board has been making enabling provisions for the small tea growers from the 9th plan onwards. During the 9th plan period the Tea Board introduced the 'Small Growers Development Scheme' which envisaged to provide STGs training on modern aspects of tea cultivation, study tours and field visits. This scheme was modified and continued in the later plans. In the successive plans the Tea Board developed various schemes for the benefit of the small growers:

**VI a. 1. Tea Plantation Development Scheme:** During the tenth and eleventh plan periods the Tea Board introduced Tea Plantation Development Scheme. The objective of this scheme is productivity improvement through replanting/replacement planting, rejuvenation pruning and consolidation through infilling of vacancies, creation of irrigation facilities, special focus on small tea gardens for enhancing productivity and quality, new planting in small growers sector in traditional and non-traditional areas, setting up of tea producers societies etc. The pilot SHGs/ Tea Producer Societies initiated in the tenth plan specified that each society and its members (Self-help group) should have registered with Tea Board, each society should have at least 50

**Table 4: Tea Board benefits for STGs**

Sl.No	Component	Unit Cost	Rate of Subsidy	Ceiling Limit
1	Transport Vehicles- Trucks, Tractors, trailers for haulage of green leaf from field to factory, and carrying inputs to fields.	Actual cost as notified by the vehicle manufacturers	50%	LCV shall be allowed @ one vehicle for every 2000 kg. green leaf handled per day (during June to September)
		Rs. 4500 Rs. 5000 Rs. 500		
2	One year input cost per ha as revolving corpus: i) fertilizer(NPK) ii) pesticide +weedicide iii) sprayers(proportionate cost) Total of I+ii+iii Input storage godown One time capital grant	Rs.10,000 Rs.50,000	100%	one Input storage godown /SHG
		Rs 30,000		
3	i. Leaf collection sheds ii. Leaf weighing scales	Rs 3000	100%	Two weighing scales / SHG. Subsidy will be limited to 100% of the actual cost subject to a ceiling limit Rs.3,000/- for two scales.

Source: 54th Annual report, Tea Board of India.

small grower members under its command and it should have been registered as per the provisions of the Societies Act <sup>7</sup>. Entitlements that come from the registration with the Tea Board are given in the Table 4.

In 2005-06 the Tea Board first registered 13 SHGs and 24 in 2006-07 (53rd Annual Report of Tea Board, 2006-07). In 2007-08 another 42 SHGs were registered under the Tea Board. The Tea Boards' recognition was significant as it allowed the society to register under the respective state government Societies Act under which they can avail of state government development schemes (through panchayats and blocks) and also by registering with the Tea Board of India which entitled the small tea growers to benefit from development schemes formulated by the board.

#### **VI a. 2. Quality Upgradation & Product Diversification Scheme:**

Quality Upgradation & Product Diversification Scheme was launched w.e.f. 1st September, 2003. It provided for extending financial support to the tea industry by way of subsidy towards modernisation of tea factories through replacement of old and worn out machineries, installation of additional machineries, changing the product mix enabling the tea manufacturing factories and /packaging units for obtaining quality assurance certificates such as HACCP and ISO. Special attention was also towards bringing quality awareness amongst small growers and the bought leaf factories (53rd Annual report - 2006-07, Tea Board of India).

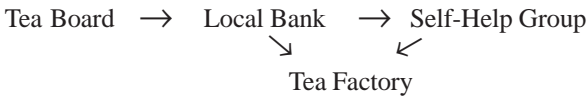
Programmes of the tea board (including the QUP) are implemented by the UPASI. It is an apex body of planters of tea, coffee, rubber, pepper and cardamom in the Southern States - Tamil Nadu, Kerala and

---

7. The major activities of the Society should include: Extension – Technology and information dissemination, Leaf collection, storage and transportation, Procurement and supply of inputs such as fertilizers, plant protection chemicals, sprayers, pruning machines irrigation equipments etc to the members of the society (*Source: Tea Plantation development Scheme, Xth Plan Period (2002-07).*)

Karnataka. It is a registered voluntary body of plantation growers of South India established in 1893. There are 13 District Planting Associations and 3 State Planters Associations affiliated to UPASI. In 1982 considering the growing importance of small tea growers in tea cultivation UPASI In collaboration with Indian Council of Agriculture Research, UPASI-KVK was set up in 1982 and it started its activities from 1 April 1983 to impart training to the farming community, rural youth, extension and grass root level workers.

**VI a. 3. Revolving Fund:** A revolving corpus was set up by the Tea Board during the ninth plan. The 11th plan document also gives the following administrative structure for the revolving fund :



In this structure the Tea Board representative sanctioned the amount after getting the report from the leaf factory. The drawback of this was that it put the factory in a commanding position vis a vis the STGs. So the STGs could not benefit much from it. Discussions with Tea Board officials reveals that this has been changed by the government recently, and the 12th Plan approach and the loan will now get directly sanctioned by the bank.

**VI a. 4. Price Stabilisation Fund:** This Scheme was introduced in 2003 by the Ministry of Commerce and Industry for the benefit of small farmers to provide some compensation as and when the prices of the four commodities fall below a certain level. For determining the level of compensation to be provided, an annual Price Spectrum Band for each commodity is fixed based on the seven year international moving average of the price for the concerned commodity by PSF Trust. Onetime joining fee of Rs.500 was required from the growers. Based on the annual Price Spectrum Band, the given year is categorised as good, normal and

distress period. As far as tea is concerned, so far no year has been categorised as distress year.

**VI a. 5. Price Sharing Formula:** The Price Sharing formula was introduced in 2004 when the Tea board introduced a price-sharing formula based on the Sri Lankan model. The price-sharing formula envisaged that the sale proceeds was to be shared between the smallholder and the manufacturer-processor in the ratio of 60:40. However, in the absence of any enforcement or monitoring mechanism, it has been difficult to implement it.

A report on the role of the Tea Board in tea development in India by the Comptroller and Auditor General makes the assessment that Tea Board has failed to discharge even the basic regulatory role effectively since more than 80 per cent of small growers in India continued to remain outside the ambit of regulations by the Tea Board. It criticizes the Tea Board for almost 57 per cent of the bushes remaining unproductive in 2008 and states that it would take 149 years to clear the backlog for replanting upto 2008 at the present pace of implementation.

At present there are a lot of challenges before Tea Board. Investment in field and factory requires considerable stepping up. Tea Board needs to be strengthened so that it can focus on further extending its support for quality upgradation, development, regulation & marketing. At the same time it is important for the Tea Board to take into consideration the perspective of the small growers while formulating the schemes. This could be a reason why the schemes including the revolving fund and the price sharing formula lack implementation.

#### **VI. b. INDCO Co-operative**

**VI b. 1. The Origin:** Story of INDCO goes back to 1958. This was the time when the co-operative movement in India was at its height. Popularised by the government as a response to problem of rural indebtedness, farmers generally found the co-operative movement to be

an attractive mechanism for pooling their meagre resources for solving common problems relating to credit, supplies of inputs and marketing of agricultural produce. In 1904 the Co-operative Societies Act was promulgated. Since then this sector in India has emerged as one of the largest in the world. Co-operatives have been an integral part of the Five Year Plans. In the First Five Year Plan, it was specifically stated that the success of the Plan would be judged, among other things, by the extent it was implemented through co-operative organisations. Co-operatives increased from 1.81 lakh in 1950-51 to 4.53 lakh in 1996-97 and membership increased from 1.55 crore to 20.45 crore during the same period. It was at this time, under the aegis of the Tamil Nadu government, the first INDCO co-operative was started in Yedakkadu village, Nilgiris. The First Co-operative Tea Factory at Yedakkadu was registered in the name of "Kundha Industrial Cooperative Tea Factory Ltd., IND No. 259" on 26.09.1958. It started its production on 29.02.1962. At present, there are two kinds of co-operatives functioning- co-operative societies and co-operative industrial factories - There are 15 co-operative industrial factories and two tea service societies - INDCOSERVE and TEASERVE. Though a total of 17 such INDCO factories were initiated by the state government, two have been closed down. INDCO factories produce about 17 million kg of tea per annum accounting for 22 per cent of the tea production of the Nilgiris district, about 10 per cent of the total production of Tamil Nadu and about 8 per cent of the total production in South India. About 19606 small tea growers are members of INDCO (out of a total of about 63000 small tea growers in the District) who together cultivate 32195 acres of land (Table 5). The stated aim of INDCO is to improve the socio-economic condition of the small tea growers by enabling them to obtain fair price for tea leaves.

Participation in the co-operatives is expected to benefit the cooperative farmers if they can get the maximum possible price. With this idea, the Tamil Nadu government linked up all the INDCO factories into a federation called INDCOSERVE which would market the INDCO



**Table 5: INDCO Tea Factories Installed Capacity, Members, Land Holdings**

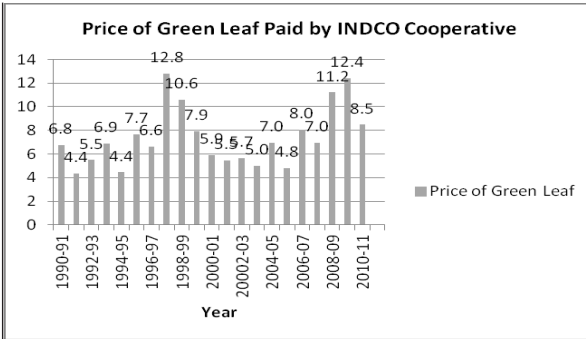
Sl. No.	Name of INDCO Tea Factory	Year of Starting Operation	Installed Capacity (In Lakhs kgs.)	No. of members	Area Covered (acres)
				<b>(As on 30.09.2011)</b>	
1	Kundah	1962	28.10	1464	2293
2	Karumbalam	1966	10.00	732	1441
3	Mercunad	1967	15.60	1417	2268
4	Mahalinga	1967	14.05	1404	2635
5	Manjoor	1967	28.10	1410	2099
6	Ithalar	1967	28.10	2015	2362
7	Pandalur	1974	20.10	1528	2842
8	Kaikatty	1976	12.50	1498	2342
9	Kattabettu	1976	15.60	879	1705
10	Salisbury	1983	28.10	1569	3566
11	Frontier	1986	20.10	2064	2778
12	Kinnajorai	1989	12.50	820	1303
13	Bikkatty	1991	15.60	914	1096
14	Ebbanad	1997	10.90	794	1685
15	Bitherkad	1998	14.05	1098	1780
	<b>TOTAL</b>		<b>273.40</b>	<b>19606</b>	<b>32195</b>

Source: INDCOSERVE 2011

tea. The INDCOSERVE or the Tamil Nadu Small Tea Growers' Industrial Co-operative Tea Factories' Federation Limited was formed as the Apex organisation of the INDCO co-operative factories on March 20, 1965. To co-ordinate the activities of all the INDCO Tea Factories and act as a guardian of Small Tea Growers in the Nilgiris District.

## VI b. 2. Price Realisation for INDCO Farmers<sup>8</sup>

**Figure 2: Green Leaf Price Paid By INDCO**



Source: INDCOSERVE 2011

Official documents claim that INDCOSERVE has transformed the economic conditions of small tea growers in the Nilgiris District and that the very existence of INDCO Tea Factories has given the Small Tea Growers the requisite collective bargaining strength. However, the validity of this is doubtful.

Field data suggests that the estimated cost of production of a kilogram of green leaf in the Nilgiris is about Rs 7. (This includes cost of plucking- Rs 2.5, manure - Rs 2, maintenance - Rs 1.5 and carry - Rs - 1). Over the last two decades the cost of production has been between Rs 5 - Rs 7. Price realisation of INDCO farmers since the 1990s indicates that price has been about Rs 7 on an average. The INDCO farmers have hardly been able to recover their cost of production from the price they have got for their green leaf, in many years.

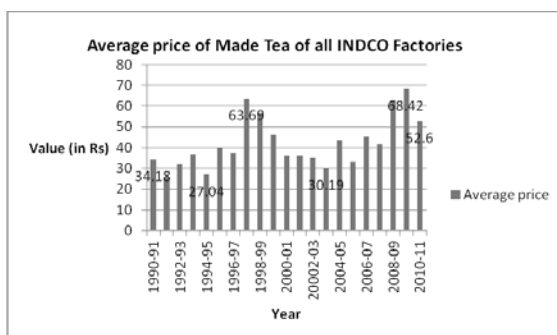
Corresponding with the overall market fluctuations, 1997-98 was in fact the best years (reasons have been explained in the previous

8. Table of Price of Green Leaf based on information from INDCOSERVE collected during field visits in December, 2011.

section). The highest price that INDCO farmers could receive was Rs 12.8 during 1997-98. During 1999-2000 prices crashed from Rs 7.9 to Rs 4.8 and then recovered to Rs 12.4 in 2009-10 (Fig 2).

Interviews with members of INDCO Kattabettu conducted during the fieldwork tell that since the price realisation from INDCO has remained low, many co-operative members are also selling a major portion of their produce outside the INDCO set up.

**Figure 3: Average Price of Made Tea**



Source: INDCOSERVE 2011

### **VI b. 3. Improvements in Quality and Quality - Product Improvement and Process Improvement**

Quality improvement is a parameter completely ignored by the INDCO co-operatives. The factories do not engage or facilitate technical training or education for the improvement in quality or quantity of green leaf. INDCO farmers have mostly retained the same method of production, plucking and pruning techniques followed by them before joining INDCO. The reason for this is that INDCO does not have any quality checks of leaf that are supplied. Unlike other BLFs and estate factories, there is no grading system followed by the INDCO factories.

According to the officials of the INDCO loyalty of the members and low quality of tea INDCO members are the reasons for it. They say

that the members are not loyal and supply the poor quality of leaf to INDCO, while the better quality is sold by them outside to BLFs and estate factories where the price of green leaf is according grades. And Growers who have received training after they left INDCO and joined other societies feel that since INDCO does not have a grading system, there is no incentive to improve cultivation model.

Quality of the made tea depends to a great extent on the quality of the green leaf supplied. The average price of made tea of all INDCO factories put together has also not improved since 1990s. For most of the years it has averaged between Rs 25 to Rs 45. Prices have peaked only in two years - Rs 63.69 in 1997-98 and Rs 68.42 in 2009-10 (Fig 3).

**Table 6<sup>9</sup> : Working Result of Industrial Cooperative Tea Factories**

S.No.	Name of the Factory	Profit Loss during 2011-12 (upto Sep. 2011)	Cumulative Loss/ Profit as on 30.09.2011)
1	Kundah	(-) 40.88	(-) 40.88
2	Karumbalam	(-) 22.34	(-) 182.37
3	Mercunad	(-) 29.55	(-) 302.08
4	Mahalinga	(-) 28.59	(-) 176.69
5	Manjoor	(-) 19.69	(-) 67.30
6	Ithalar	(-) 40.95	(-) 201.74
7	Pandalur	(-) 20.44	(-) 20.44
8	Kaikatty	(-) 16.50	(-) 16.50
9	Kattabettu	(-) 7.67	(-) 115.96
10	Salisbury	(-) 20.19	(-) 20.19
11	Frontier	(-) 19.12	(-) 19.12
12	Kinnajorai	(-) 21.73	(-) 362.06
13	Bikkatty	(-) 20.50	(-) 20.50
14	Ebbanad	(-) 14.05	(-) 717.65
15	Bitherkad	(-) 11.55	(-) 451.52

Source: INDCOSERVE 2011

9. Based on Interim (Periodic) Report, INDCOSERVE, October 31, 2011 given by manager, INDCOSERVE on November 8, 2011.

Surprisingly, evidences do not suggest that INDCO management regularly uses the technical know-how of UPASI-KVK or visa-versa. This was also the decade when the Tea Board was implementing the QUP (quality upgradation programme) through UPASI-KVK. INDCO factories and farmers are included in the programme. Yet they could not derive the expected gains. In fact, the co-operative and QUP have been like two parallel running government programmes under different departments lacking synergises. INDCO factories are reported running losses (Table 6). There is also a decline in the membership and the acreage by about 7 per cent and 6 per cent respectively from 2005-06 to 2010-11 (Table 7).

**Table 7<sup>10</sup> : Growth of INDCO Factories**

Sr no.	Details	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
1	Number of members	20,049	20,241	19,298	19,270	19,669	19,635
2	Acreage	31,848	31,678	29,929	24,635	31,499	32,235
3	Quantity of green leaf purchased (in Lakh Kgs)	475.87	555.73	536.73	563.96	658.21	627.58
4	Quantity of made tea produced (in Lakh kgs)	123.42	145.53	141.04	149.02	174.48	165.85

Source: INDCOSERVE 2011

#### **VI a. 4. Inputs, Credit and Other Assistance**

The flow of inputs, credit and other assistance in the INDCO co-operative occurs at three levels. One, the State Government gives a (25% to 30%) subsidy to the INDCO factories like subsidy on cost of

10. Based on Interim (Periodic) Report, INDCOSERVE, October 31, 2011 given by manager, INDCOSERVE on November 8, 2011.

machinery and an additional Rs 2 (as on November 2011) on the green leaf to the STG members. Two, INDCOSERVE provides services for its members which include maintaining warehouses in three places - Coonoor, Coimbatore and Cochin; financial services such as interest free loans to factories, arranging machinery and spare parts through centralised purchasing system. Three, the factories give support to their members in the form of collection of green leaf from the farmers - absorbing the transportation cost and making timely payments for the green leaf. These facilities are provided by all the factories. Apart from this the individual factories give welfare support to their members which include, a) death benefits (usually optional ranging from Rs. 20000 to Rs. 30000), b) dividend calculated annually, c) credit for inputs and, d) cash advance. However, these benefits can vary from one INDCO factory to the other.

Interviews with the STGs reveal that these benefits remain the main attraction for STGs to retain their membership with INDCO, despite recurrent losses. Government subsidy on leaf price is distributed to all the members and it acts as an incentive for them to continue supplying to INDCO. Flip side is that such subsidies are announced from time to time and there are long periods when the farmers do not get this benefit. The decision of implementing or suspending such a scheme is arbitrary in nature and dependent on the benevolence of the ruling government. Credit for inputs is essential for the farmers and most of the farmers are using this benefit. But the welfare schemes are not uniform and very few of the STGs actually have benefitted from them. The INDCO management has also not reviewed them or consulted the members on them in any way.

#### **VI b. 5. Institutional Structures and Governance**

The structure of INDCO co-operatives is as follows: small tea growers are members of INDCO factories. The INDCO co-operative factories federate as INDCOSERVE. INDCOSERVE is directly under the control of the State Ministry of Commerce and Industry.

Uptill 2001 the INDCO factories were controlled by a board which had an elected chairperson. Government representative was also there. INDCOSERVE was also managed by an elected board.

According to the by-laws the Chairman and Vice-Chairman of this Board are to be elected from among the elected Chairmen of 15 Industrial Co-operative Tea Factories. But the elected Board was dissolved with effect from 25.05.2001. A Special Officer has taken over charge of the Board of the INDCO factories with effect from 26.05.2001. At INDCOSERVE there is one General Manager in the Cadre of Deputy Director of Industrial Co-operatives and five Managers in the cadre of Industrial Co-operative Officer drafted from Industries and Commerce Department to assist the Special Officer in discharging his duties.

As the structure itself suggests, there is no role for the STGs in the management of the co-operative. Field survey indicates that while some INDCO factories have maintained the tradition of having annual general body meetings, they remain more or less ceremonial with there being, and no major suggestions or strategic decisions are taken here.

### **I b 6. Forward Linkages - Marketing**

The state government has given a lot of emphasis on federating the INDCO co-operatives and building the marketing linkages. INDCOSERVE was formed for this purpose. But the interference of agents/middlemen and the non-transparent nature of the auctions were considered hindrances in enabling realisation of fair price. To overcome this TEASERVE or the Tea Manufacturers' Service Industrial Co-operative Society Limited was launched. It was the world's first electronic auction centre in Coonoor. Registered as a co-operative society on August 28, 2002, TEASERVE was launched by the Chief Minister of Tamil Nadu on September 13, 2003. All co-operative institutions and public sector undertakings engaged in tea manufacturing, bought leaf factories. State government factories and estate tea factories are eligible for

membership of TEASERVE . As on 15 February 2005, there were 167 seller members and 399 buyer members (275 are from other States) of TEASERVE. TEASERVE is managed by a the Board of Directors consisting of 11 members, of whom 7 are elected from among the members of TEASERVE, 1 expert from tea industry, 1 nominee from Tea Board, 1 nominee of Government of Tamil Nadu and the Managing Director.

According to the officials at TEASERVE, the advantages of TEASERVE are that it is a producers co-operative society with no role for the auctioneers (brokers). Auctioneers charge 1 per cent commission on the sale value. On the other hand, the charges of TEASERVE are only 0.13 p per kg for a 10 bag lot. While the existing auction system allows a drawal of 3 kgs per lot as sample for the brokers, in TEASERVE, only 1.5 kg per lot is drawn as sample. In order to encourage the sale of tea through TEASERVE, Government of Tamil Nadu has given concessional rate of TNGST at 4 per cent and CST at 2 per cent. Despite these advantages, till 2006 only 15 estates have registered themselves as members. INDCOSERVE and TANTEA were the main participants at TEASERVE.

Right since its inception the average price of TEASERVE has been the lowest compared to any other auction centre in the country. In 2004, a year after it was launched, TEASERVE price averaged at 37.63 which was Rs 1.37 lower than the Coonoor Auction Centre. Price at the other auction centres in the country in the same year were much higher - Coimbatore Rs 43, Kochi, Rs 50, Siliguri Rs 62, Guwahati, Rs 64 and Kolkata, Rs 78. Examination of the weekly average price reveals that the difference in the TEASERVE and CTTA average price touched upto Rs 6. This trend has continued through the years (see Table 2). Moreover, right from its inception huge quantities of tea offered at the tea serve have been going unsold (Box 1). More recently, in November 2011, it has been reported that the tea prices have increased nearly three per cent in the first three quarters of current calendar over last year in the



**Box 1:**  
**Heavy withdrawals at TEASERVE auctions**  
**(Excerpts of a Report Published in The Business Line on**  
**December 27, 2004)**

As much as 4.72 lakh kg of teas out of the 7.53 lakh kg offered for sale at the electronic auctions conducted by the TEASERVE this week here went unsold. Not even a single kg of the orthodox grade was sold. The entire sale pertained to the CTC category. Some 2,837 kg of the orthodox leaf grades were on offer. There was no offer of the orthodox dust grade at all. Among the CTC teas, around 5.06 lakh kg were of the leaf grades of which, only 1.61 lakh kg were sold. The balance 3.44 lakh kg went unsold. Even the teas sold fetched an average price of only Rs 42.22 a kg - against Rs 43.75 last week. Some 2.44 lakh kg of the dust grades were offered of which, 1.24 lakh kg went unsold. The sold volume of 1.19 lakh kg fetched an average price of Rs 45.73 a kg - some 50 paise more than last week. Of the total volume of 2.81 lakh kg sold at the auctions, 20,332 kg were declared as sale for export at an average price of Rs 42.13 a kg - some 5 paise more than last week. Of this, the 9,017 kg of leaf grades got Rs 41.58 a kg and 11,315 kg of the dust grades got Rs 42.56. A volume of 98,602 kg was declared as sale within the State under the TNGST at an average price of Rs 45.03 a kg - some 47 paise lower than last week. Here, the CTC leaf grades were 23,934 kg and fetched Rs 39.59 a kg, while the dust grades totalled 74,668 kg fetching Rs 46.78. Under the CST, a volume of 1.62 lakh kg was sold at an average price of Rs 43.11 a kg against Rs 44.24 last week. Of this, 1.29 lakh kg of leaf grades were sold for Rs 42.75 and 33,740 kg were sold for Rs 44.47. Of the 2.81 lakh kg totally sold, as much as 2.73 lakh kg fetched a price between Rs 30 and Rs 55 a kg. Some 2,475 kg were sold for Rs 56 to Rs 59.99. Some 5,920 kg fetched Rs 60 to Rs 64.99. Only 300 kg fetched Rs 65 to Rs 69.99. No tea was sold above this price and none below Rs 30 a kg.

**Table 8: Average Price of TEASERVE and CTTA**

Auction Centre	2006 (January to December)		2007 (January to December)		2008 (January to December)		2009 (January to December)		2010 (January to December)		2011 (P) (January to October)	
	Qty (Th.Kg)	Avg. Price (Rs./Kg)	Qty (Th.Kg)	Avg. Price (Rs./Kg)	Qty (Th.Kg)	Avg. Price (Rs./Kg)	Qty (Th.Kg)	Avg. Price (Rs./Kg)	Qty (Th.Kg)	Avg. Price (Rs./Kg)	Qty (Th.Kg)	Avg. Price (Rs./Kg)
Coonoor	37392	47.77	37736	44.19	50557	63.50	44607	75.38	49958	61.11	43818	63.7
Tea Serve	14802	46.21	13375	41.81	15800	60.86	15275	72.09	16518	54.98	13786	57.49
All India	499072	66.01	514404	67.27	546348	86.99	517776	105.60	530063	104.66	410202	103.63

Source: Tea Board 2011.

different auction centres in the country. South Indian prices averaged Rs 69.69 (Rs 66.39) and Coonoor Rs 63.30 (Rs 59.97). The TEASERVE auctions have again reported the country's lowest price average of Rs 57.15 a kg (Rs 54.91) (Table 8).

When the government of Tamil Nadu launched TEASERVE it was argued that the CTTA does not have transparency. Today even the basic information on TEASERVE one gets through the CTTA auction. Basic information on TEASERVE like the volume sold, grades, the buyers, prices etc are not made available to the public at large.

Price of TEASERVE is always the lowest when compared to the price of CTTA, South India and all India prices (Table 8). Managing Director of INDCOSERVE pointed that there are huge price fluctuation. "This year (2011) maximum auction price was Rs 80 and the minimum was Rs 40. Compared to the price of any other auction, the TEASERVE price is less. Coonoor auction rates are high as estate tea is mixed with the small tea growers tea." INDCOSERVE defends the low price it obtains from TEASERVE arguing that in all the other auctions estate tea is mixed in huge quantities which is of presumably better quality as compared to the tea at TEAERVE which is primarily of small holders. But the price difference is sometimes too startling and more on specific varieties of tea - Maybe double or more<sup>11</sup> and this is a cause of concern.

---

11. Based on interviews with manager, INDCOSERVE on November 8, 2011.

**Table 9<sup>12</sup> : Sales Turnover And Working Result of INDCOSERVE (Rs. In lakhs)**

Sl. No	Details	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (upto Oct.2011)
1	OOTY TEA <sup>13</sup> sales through P.D.S.	2572.62	2489.87	1848.92	1657.09	2953.06	1731.91
2	Tea sales to Defence	...	...	942.46	...	...	...
3	Sale of Manure to INDCO Tea Factories	112.08	39.44	34.96	29.14	...	...
4	Warehouse Income	47.82	48.28	51.87	54.86	87.73	60.38
5	Total	2732.52	2577.59	2878.21	1741.09	304079	1792.29
6	Profit for the year	482.94	331.86	25.60	19.18	620.95	374.01
7	Rebate paid to Small Tea Growers Members	456.80	285.75	...	...	560.20	100
8	Net Profit after allowing Rebate	26.14	46.11	25.60	19.18	60.75	274.01

Source: INDCOSERVE 2011

12. Based on document/update given by manager, INDCOSERVE on November 8, 2011.

13. Ooty tea is an initiative of INDCOserve. INDCOserve purchases tea from open auction and packages and sells it as Ooty tea. Ooty Tea is being sold through PDS. Ooty gold which is a finer variety is supplied based on demand.

### **VI.a.8. The INDCO Initiative - In Principle and Practice**

INDCO co-operative factories were the result of a state-initiated and state-led policy and since the initiative never came from the farmers, structurally their role in management of the collective is missing. It was used as a tool to promote development by the Tamil Nadu government but could not become fully autonomous or member-owned. In fact, member primacy has remained absent. Members have no say in planning of resource mobilisation and utilisation of resources mobilised. Membership of INDCO is more or less dormant and there is lack of active participation of members in its management. There have also been no efforts by the INDCO management to encourage participation of the STG members. There are no inbuilt mechanisms to ensure equity, participation and democratic member control.

INDCO sets out socio-economic empowerment of farmers as its main objective. While the co-operative factories have survived almost 5 decades, members of INDCO remain small farmers who have limited capacities and resources. Over the years it was expected that members gain out of their participation in the co-operative movement and enhance their socio-economic status as well as negotiating capacities. Farmers joined INDCO as they saw it as a window out of the clutches of the money agents and debt traps. But they did not gain in terms of price realisation of green leaf. INDCO did not invest in member training and skill improvement.

What the members have gained is in terms of benefits from a few disparate welfare schemes and relief from government subsidy in leaf price. The gains from the welfare schemes are not uniform as all the INDCO factories do not have the welfare schemes. Moreover, the welfare schemes and subsidies are arbitrary in nature and subject to heavy political interference. The supportive price at the rate of Rs.2 per kg of green leaf, introduced by the state government in 2011 is applicable only from May to December 2011. During the field visits conducted in November 2011, members expressed their concern on what would happen to the green leaf price given by INDCO after December 2011.

The government invested heavily in INDCOSERVE and it could have been the marketing structure in place and technically equip its member factories to improve production of made tea. However, in practice, the INDCOSERVE and the INDCO factories have functioned as separate state agencies, which are in a hierarchical relationship. Political empowerment of the STGs, which happens progressively when a collective created by the people federates, has remained crucially absent in the process. The co-operative initiative has not motivated or even strived for changes in overall policy framework towards the inclusion of STGs.

Just the other side, over-politicisation and red tapism characteristic of state managed institutions have proved harmful for the growth of the co-operative. Interviews of a cross section of people associated with the management of INDCO factories and INDCOSERVE reveal that mismanagement is at the helm of affairs. While INDCOSERVE has tried to augment capacities of INDCO factories, most of the efforts have been mired in bureaucratic corruption. Federating as INDCOSERVE has helped in maintaining machinery and infrastructural wherewithal to manufacture made tea. But despite investments in improving the installed capacity, trend in the production of made tea has not changed and remains stagnant over the years. Data reveals confusing trends on which the management of INDCOSERVE could not give any appropriate explanation - an example is that in 2006-07 the sale of manure to INDCO factories was to the tune of Rs. 112.08 lakh. But in 2009-10 it was 29.14 lakh only. (Table 9) A manager at INDCO shared, "Corruption in INDCO takes several forms. Huge commission is involved in purchase of machinery - all contracts for buying machinery are sanctioned only to one supplier. Crores of rupees of loan is sanctioned for purchases of lorries, repayment etc., and yet government subsidy is claimed. Special officers are people who have never been to a tea garden earlier. They are given a car, house etc., and to hide their ignorance they do something that is disastrous for the STGs."

## VI. C. TANTEA

In 1968, the Government of Tamil Nadu started implementing a Tea Project in the Nilgiris. It was managed by the Forest Department as a scheme to rehabilitate the Sri Lanka Repatriates. In 1975 the Project was, brought under a corporate management called the Tamil Nadu Tea Plantation Corporation Limited. This Corporation came under the administrative control of Environment & Forest Department of Government of Tamil Nadu. TANTEA, with over 4,431.92 ha. under tea plantations, became one of the largest individual holding in Nilgiris. By way of implementing the Shastri Shrimavo Pact<sup>14</sup>, so far in TANTEA has absorbed 2331 families (with permanent employment to two members from each family). This provided assured employment to 4967 permanent workers and seasonal employment for about 2000 casuals. More than half of the workers are female. The labourers and their dependants, numbering 25,000, are settled in the Corporation's tea plantations. The area under the plantation was developed in three phases in the Nilgiris - Phase I (from 1969-1979) 1850.74h; Phase II (from 1979 to 1981) 591.10 ha and Phase III (from 1982 to 1984) 336.58 ha. During phase IV (from 1990 to 1995) 568.00 ha in Nilgiris and 1085.50 ha in Anamalais were planted . The corporation sells made-tea, tea waste, seedlings, etc. It is financed by NABARD through the consortium of banks for the plantation development expenditure, civil works, machineries, roads, etc. TANTEA also gets share capital and interest subsidy from the Central Government and also through the State Government. Tan tea uses two main marketing channels - 1) auction and 2) retail sales. About 75 % of the tea is sold through auction centres in Coonoor, Cochin and Coimbatore. TANTEA teas are also sold through

---

14. In October 1964, Prime Ministers Lal Bahadur Shastri and Sirimavo Bandaranaike signed an accord. Tamils of Indian origin who were settled in Sri Lanka but had been denied Sri lankan citizenship were divided on a ratio of seven to four between India and Sri Lanka respectively. Out of the 9,75,000 stateless persons, 5,25,000 were to be repatriated to India while 300,000 were to be granted Sri Lankan citizenship (In the cause of Plantation Labour, Frontline).

BPCL network. At present, there are 134 TANTEA dealers selling TANTEA products in Tamil Nadu.

**VI c. 1. Linkage with Processing Factories, Input Costs and Price:**

Since the organisation of TANTEA was along the model of an estate, the producers were workers and did not own land in the plantations. Corporate/Worker management relationship characterises TANTEA. It has its own processing facility but where the tea was process. Workers have no linkage with the processing units. Workers would get a wage. They were not affected by input costs.

Workers were paid minimum wage but there is no collective bargaining mechanism in place. According to the workers at TANTEA Tiger Hill Estate, the factory employs about 80 permanent and 200 casual workers. All the workers are paid Rs 135 per day on a monthly basis on the seventh of each month. All the workers, whether permanent or casual get the benefit of provident fund. Gratuity is restricted to permanent workers. All workers also get free medical facility inside the estate, maternity benefit (three months of paid leave), water and toilet facilities. Bonus is given before the Deepavali festival.

For workers who joined in the early 1970s, two members from each family were given a permanent job. Since then there have been no permanent workers recruited. When some one retires, the child becomes eligible for a permanent job. Rest all are casual workers. All permanent and casual workers are Sri Lankan repatriates. No workers from outside the estate come to work in the plantations. Women pluck the tea leaf and men work in the factory or carry out supporting work. Daily targets are set. Particularly casual workers have to pluck 40 Kgs of leaf in a day. They work in two shifts - 8 am-12 pm and 1 pm to 5 pm. Quarters have been provided by the plantation management. Each unit has a separate toilet and drinking water facilities. Electricity and cable connections are provided for which the workers pay themselves. Workers are not satisfied with the wage since it is too low to support even the basics like



children's education. The school in the estate is only upto the primary level. There is a union in the Tiger Hill plantation of which the permanent workers are members. It has about 100 members. It is taking up the issues of working condition and wage. It had also raised the demand for 20 per cent bonus which was granted by the management some years back. Trade unions organise only the permanent workers. Issues of casual workers remained unaddressed.

**VI c. 2. Scope for Participation in the Functioning of Primary and Higher Collectives:** Set up as a corporate, TANTEA did not envisage the participation of workers at any level in terms of functioning.

**VI c. 3 Access to Government Schemes:** for TANTEA workers access to government schemes remained limited as they had no land rights.

#### **VI. d. Self Help Groups (SHGs) in Nilgiris**

SHGs<sup>15</sup> of small tea growers in Nilgiris started emerging in about early 2000s. UPASI-KVK supported SHGs as part of implementing the

---

15. The SHG model was started in India in the 1980s by social-development 4NGOs, many of whom took up group-formation (especially of women) as their main tool. Having group members learn how to pool savings into loans – mostly small, short-term consumption loans – was seen as empowering disadvantaged women, socially and politically as well as financially. (Basu and Srivastava (2004). A Self Help Group (SHG) has an average size of about 15 people from a homogeneous class. They come together for addressing their common problems. They are encouraged to make voluntary thrift on a regular basis. They use this pooled resource to make small interest bearing loans to their members. The process helps them imbibe the essentials of financial intermediation including prioritisation of needs, setting terms and conditions, and accounts keeping. This gradually builds financial discipline in all of them. They also learn to handle resources of a size that is much beyond individual capacities of any of them. The SHG members begin to appreciate the fact that resources are limited and have a cost. Once the groups show this mature financial behaviour, banks are encouraged to make loans to the SHG in certain multiples of the accumulated savings of the SHG. The bank loans are given against group dynamics without any collateral and at market interest rates. The groups continue to decide the terms of loans to their own members. Overall growth of SHGs in India – from 1992-1999 was 32995 and by 2005 – 06 this number reached 2238565 (NABARD 2006, Progress of SHG Bank Linkage in India-2005-06).

Quality Upgradation Programme (QUP). Groups of STGs were formed and technical training was given to them. Focus was on improvement in field and changing the growers plucking practices. In 2001 UPASI KVK started implementing another programme - the Factory Upgradation Programme (FUP), which provided a subsidy of 50 percent to factories to upgrade equipment., incentives and training programmes to help factories attain relatively costly ISO and HACCP certification. UPASI tried to combine QUP, FUP into one. The idea was that on the one hand, training of STGs and an upgrading of the quality of green leaf, and on the other hand, improving capacities of the BLFs would together contribute in fetching a better price of leaf to the STGs.

**VI d. 1. Improvement in Quality and Quantity:** According to the growers, at the time when SHGs were formed the price of tea had dipped in the international market. Trainings imparted by UPASI KVK helped the growers in improving their production cycle.

**VI d. 2. Linkage with Processing Factories and Price Realisation:** Initially the women SHGs concentrated on improving access to finance and receiving technical training. Through SHGs the STGs could develop better relationship with banks and facilities linked with banks. In some areas the SHGs also helped in setting up quality tea leaf procurement sheds and in and started functioning in terms of procuring green leaf and supplying it to BLFs. But the reach remained limited and agents remained active in most of the places. Also, since the SHGs were not legal entities, their approach to the BFLs remained individual. The SHG members could not develop sustainable linkages with processing factories.

**VI d. 3. Input and Credit Availability and Access to Government Schemes:** Interviews with STGs suggest that individual farmers could get access to credit which could be used for purchasing inputs but the SHGs were not purchasing and supplying inputs for its members.

**VI d. 4. Scope for Participation in the Functioning of Primary and Higher Collectives:** Through SHGs leadership of women was encouraged. The collective approach was limited to an SHG and there was no structure like a federation or body at the state or national level that could demand policy changes. An institutional base that could address challenges faced by STGs remained missing.

#### **VI. e. Primary Producer Society PPSs**

A crucial development occurred in the Nilgiris from about 2005-06. There has been the emergence of Primary Producer Societies (PPSs) or the tea producer societies. PPSs reflect a more contemporary perspective of Tea Board. Tea Board encouraged the PPSs to register different levels - first in the state societies' registration act which made them legal entities as well as entitled them to benefits that come from the gram panchayat and other local bodies. These societies were then registered by the Tea Board which made them eligible to access a host of benefits through the Tea Board schemes. Each individual farmer was also required to register.

The PPSs were initially supported by Centre for Education and Communication and Traidcraft (in partnership with DFID and later NABARD) in terms of facilitating society formation, imparting managerial and administrative trainings and advocacy campaigns. UPASI KVK also encouraged the PPSs by imparting technical training and leaf quality improvements. Once the PPS collectives became a legal entity they could sustain the benefits from quality improvement and improve leaf trade. There were marked improvements in their negotiating capacity with the BLFs. Over the next 4-5 years PPSs emerged as an autonomous initiative reflective of a struggle for self-realisation and for fairer terms of trade - more of replication of experiences of farmers collectives in the milk sector.

What makes the PPS model different from INDCO and SHGs is that through PPSs the STGs endeavoured to obtain collective identity

at different levels. The PPSs functional at the village level worked for a better price for STGs by removing the agent, supporting input costs, enhancing technical, managerial and marketing skills and negotiating with BLFs. The PPSs federated into apex bodies or regional associations at block and state levels as Federation of Small Tea Growers' Associations -FESTA. Regional associations engaged in policy and advocacy actions - public events, press conferences raising the issues of STGs. These state associations federated at the national level and supported the formation of the national association (CISTA)<sup>16</sup>.

According to the annual project report of CEC and Traidcraft (2009) from 2006 - 2009 about 37 societies were formed in Nilgiris which covered 3865 small growers. Dharmagiri was the first village to have a Society in the area facilitated by the project. The farmers of neighbouring Arotuparai got together and formed one on their own when they realised the positives of a Society. In addition to this, another 36 societies were found between 2009 - 2010 covering 2709 growers (CEC 2011).

Some of the societies have been working exceptionally well procuring quality tea leaves and paying very good prices to the suppliers. Annual reports of UPASI KVK say how growers' relationship with the Tea factories changed from individual approach to more of a collective approach as a Society. Only three tea factories were supporting the Quality Tea Procurement and Service centres consistently in 2002. By 2008 it was almost 15 factories supporting over 30 small Tea growers' societies (Report on QUP, UPASI KVK, September 2008).

Following are details of the societies were visited during the field visits:

---

16. The Confederation of Indian Small Tea Growers' Associations (CISTA) was formed in 2007, now representing 9 states.

Table 10: Details of PPSs covered in Field Visits

Name of the Society	Acre age	Member ship	Year of registration under societies Act	Year of registration with Tea Board	Leaf Trade			
					Per Kg Rate for green leaf by Agent prior to society formation	Per Kg rate for green leaf supplied through society immediately after society formation	Per Kg rate of leaf at present (Dec 2011)	Agent Rate at present (Dec 2011)
Sri Lakshmi Narayana STG Karakorai Society	60.33	113	214/2006	NIL	Rs 6	Rs 8.5	Rs 14.5 for A grade and Rs 9.5 for rest (B+ grade)	Rs 11.00 for A grade and Rs 7.5 for rest (B+ grade)
Sri Bharatmata STG Society, Bilikumbi	87	64	(9/11)	TB/CNR/ SOC/REG/ No.108. 2011	Rs.8	Rs.9	Rs 12.5 for A grade and Rs 9.5 for rest(B+grade)	Rs10.5 for A grade and Rs 8 for rest (B+ grade)
Vinayaga STG Society, Honathalai	50	53	61/2010	TB/CNR/ SOC/REG/ No 113. 2011	Rs.8	Rs.9	Rs 12.5 for A grade and Rs 9.5 for rest (B+grade)	Rs10.5 for A grade and Rs 8 for rest (B+ grade)
Sri Vivekananda STG Society, Honadulalai	50	61	2010	NIL	Rs.8	Rs.9	Rs 12.5 for A grade and Rs 9.5 for rest(B+grade)	Rs10.5 for A grade and Rs 8 for rest (B+ grade)

cont'd....

Kundha Small Tea Grower's Society	124	69	82/2010	TB/CNR/SOC/REG/ No 27. 2011	Rs 6-Rs 8	Rs 8	Rs 13-25 for B Grade and Rs 25 for A Grade	Only Inco Rate Rs. 8 + 2 (subsidy From Tamilnadu Government)
Sri Hirodaya society, Sular	799	444	2004	2008	Rs 3	Rs 5	Rs 10.75	Rs. 9.50
Ovalley Periyar Nagar STG Society	124	52	73/10	2011	Rs 4-Rs 5	Rs 6	Rs 10.5	Rs. 9.50
Dharmagiri Chelivayal Society	435	260	2006	2007	Rs 5-Rs 6	Rs 6	10.5 and Rs 30 for premium orthodox	Rs. 9.75
Aruttuparai Small Tea Growers Association	289	131	2007	2008	Rs 5-Rs 6	Rs 6	Rs. 10.5	Rs. 9.75

Source: Fieldwork during November - December 2011.

**VI e. 1. Price Realisation:** Primary producers societies have successfully worked towards getting a better price for their members by eliminating the agents and negotiating directly with the BLFs. Key activity of most of the PPSs is to collect green leaf from the STGs and sell it to BLFs or estate factories. They receive the payment from the factory in the society's bank account and distribute it to the members regularly. It has been reported that the difference between the leaf price paid by the agent before the formation of the society and the rate given by the society to its members can have huge variations. According to the Arrotparai society, the average price obtained by the growers went up from Rs.6 per kilogram when it was formed in October 2007 to Rs.13.50 in November 2008. In October - November 2011 it was around Rs 10.5 (Table 10).

In the 9 PPSs which have been studied in 2010-11, the average price that the STGs were getting before the formation of the society was Rs 6.4 and after the formation of the society this increased to about Rs 7.4 and then grew gradually. At present the average price that societies gets is Rs 13.25 which is a gain of over double from what they were getting before the society formation. It has been observed that once the

**Table 11: Estimated gains to farmers after formation of PPSs**

	Leaf Agent	PPS	Combined
Monthly average leaf trade (kg)	3,57,500	6,60,000	10,17,500
Value per month after formation of the PPS in lean season (Rs.)	38,46,250	97,82,500	1,36,28,750
Total monthly gain after formation of the society in lean season (Rs)	6,21,250	45,56,875	51,78,125

Source: [www.cec-india.org](http://www.cec-india.org) (accessed on January 25, 2012).

STGs form a PPS and the PPS starts getting a better price for the leaf, there is a ripple affect on the price of the green leaf. The agent is also forced to give a better amount to the STG.

According to a report (CEC 2011), about 39 PPSs have reportedly traded about 1017500 Kgs of leaf in a month in 2010-11 and the total monthly turnover of the societies at an average has been about Rs 13628750. On an average the increased income of a Nilgiri farmer who has become a member of the PPS has been Rs 4.5 per kg of tea leaf (in lean season). But the farmers trading through societies gained about Rs 6.36 and those through the leaf agents gained about Rs 1.68. Here is an assessment of the gains by CEC for 39 PPSs combined (Table 11).

Societies have engaged in direct negotiations with the BLFs and that has enabled them to get a higher price. There are also cases when the societies have changed the BLF to which they were supplying leaf initially and gained financially. Sri Lakshmi Narayana society, Karakorai was one such PPS. But BLFs have also continued to exert pressure on the STGs - by playing on social and community ties and using the presence of INDCO in the area as a benchmark for price setting.

While most of the PPSs have been able to successfully remove the agent, in some cases members continue to supply a part of their leaf to the agents. Field observations indicate: a) STGs own small portions of land usually under two acre and this increases their vulnerability and dependence on advances which they have been getting from the agents. This is particularly true in the societies which are in the nascent stage and in such cases the PPSs try to negotiate and break free from the agents over a period of time; b) when a PPS becomes functional agents over a period of time reinvent ways to continue their trade. They offer a price which is marginally less than the society c) wherever agents have continued it has been observed that the situation which was there before the formation of the PPS - of a fierce competition among agents



eventually exerting a downward pressure on the price, has ended. Only one or two agents survive and those are the ones who have close links with the community, mostly members of the community themselves and they use these links to maintain their presence.

Similarly it is observed that some of the members of the PPSs continue to supply leaf to INDCO. They do this as they want to retain the membership, which entitles them to direct government subsidies every time the price of lead falls and also to retain their entitlement to the welfare benefits offered to its members by some of the INDCO factories. Kundha STG society established in 2010 was one such example. The STGs of the village was initially supplying to INDCO Manjurtea, but were not getting a good price. Once they registered as a society and worked on their technical and bargaining skills, they were able to bargain and get a better price for their members from Chamraj group (about Rs 22 per Kg for A grade tea). But members are still retaining their membership with INDCO by supplying a part of their leaf.

**VI e. 2. Input and Credit Availability:** PPSs have maintained direct and beneficial relationship with the Tea Board of India. PPSs have received subsidies from the Tea Board for buying leaf carry bags, vehicles, constructing leaf sheds and weighing machines. Small tea growers mentioned that getting organised as PPSs has helped them gain in terms of improved quality and price of inputs. Fieldwork indicates that in Nilgiris, the average cost of fertilizer and pesticide per acre of tea plantation is about Rs.4750. It is estimated that the direct cash benefit to growers from societies supplying inputs is about Rs.500 per acre.

Interviews with the STGs note that STGs usually take loan from the society for purchase of fertilizers and manure. The loan is deducted over a period of about three to six months from the payment of green leaf. Some STG societies have facilitated members with machines to spray pesticides. The STG Societies buy fertilizers and pesticides in bulk from wholesale suppliers to distribute to the members. This is

advantageous to the members in different ways: One, they are able to buy the required quantity from the society as against the fixed quantity that they would have otherwise purchased. Two, since the society is buying the fertilizers and manures in bulk quantities it is buying at a bulk rate and there is a price advantage which is passed on to the members; Three, the members are saving on the transportation cost and four, members are also saving the time for procurement loading and unloading.

Societies are facilitating transportation of leaf from its members through vehicles arranged through the factory on payment basis. Collecting leaf from the members and transporting it for sale to the factory is a responsibility of the society.

The societies also weigh the leaf themselves and this has benefited the STGs as, the process is far more transparent than the case when the STGs traded leaf through the agents. The STGs are now able to see what is being weighed themselves. Second, The STGs now are aware of how and why differential weighing can happen - for example in the rainy season at the factory gate and this enables them to take precautionary measures when needed. Overall there is a sense among the STGs that they are in control of the leaf they produce and they cannot be cheated over the quantity.

**VI e. 3. Improvement in Quality and Quantity:** An estimate based on the field work indicates that the STGs own an average 1.56 acre of land with productivity is as much as 400 kgs in a month. UPASI-KVK gives technical training in two ways: One, the office bearers participate in the training sessions organised by the Tea Board and share their experiences with the members; Two, officials of UPASI-KVK are called on the field and they explain and demonstrate better cultivation techniques to the STGs. All the STG societies covered in the study have witnessed improvement in quality as well as the quantity of leaf produced.

Process Improvement - during the field visits the STGs noted that their plucking cycle had changed. It was pointed out that the earlier cycle ranging from 30 days to 3 months was reduced to 8-10 days. Members and office bearers of societies who have received training pointed that they were asking their members to undergo pruning every 5 years to improve the quality and quantity of the leaf.

STGs have mentioned that their method of plucking the leaf had changed. Prior to the formation of the society and receiving training, they were plucking with a knife. They did not know any other plucking method. Hired workers were also plucking in the same fashion. But after getting organised and receiving training, they are familiar with other plucking techniques.

Product Improvement - on account of the improvement in the process, changes were noted in the quality of leaf produced by the societies. Earlier the STGs were not conscious of the quality of the leaf they were plucking. They were plucking very coarse leaf and selling it to the agent. Since the agent was selling it to the BLF or the estate factory, they were not aware of what would fetch them a better price. Now, since they were directly selling their leaf to the factory, they realised that better quality leaf will get them a better price from the factory. Trainings from UPASI-KVK also helped them. They had learned the art of plucking two leaves and a bud. Many of the societies had introduced grading system. There were generally three grades - A grade - two leaves and a bud or three leaves and a bud, B + Grade -usually which was the lot which was rejected as A grade and B grade -coarse leaf.

At the time of the field visits, one of the societies was training for plucking silver tip. Chelivayal-Dharmagiri Society established in 2006-07 is now plucking silver tip and even planned to sell it directly to international buyers.

**VI e. 4. Internal Structure and Governance:** PPSs respect the principle of member primacy. All the societies visited reported that they had monthly meetings of the Executive Committee (EC) to discuss common issues. The STGs reported that they discussed the following issue - 1) societies in the infancy stage discussed methods to improve leaf quality; 2) members need for extra manure or fertilizers ; 3) monthly statement of account was given to the members by some societies. Societies maintained records of the monthly meetings. Apart from monthly EC meetings, once in a year all the societies had a general body meeting. All the society members were usually present in these meetings and asked questions to the executive committee members on the functioning of the society as well as benefits they were receiving. Income, expenditure and balance statement were presented by the society in these meetings. Records of all the meetings including attendance records were maintained by the societies. Records of the society were kept for leaf procured by the society, leaf traded and price at which it was traded. Societies also kept account of individual members for quality and quantity of leaf supplied by the member; the rate at which the payment was made; the amount that was paid and the balance to be paid.

**VI.e.5. Scope for Participation in the Functioning of Primary and Higher Collectives:** In Nilgiris, the PPSs are federated at two levels. At the sub regional level, there are three Federations: Federation of Small Tea Growers' Associations - Gudalur-Pandalur (FESTA-GR); Federation of Small Tea Growers' Associations ? Ooty-Kundha (FESTA-OK) and Federation of Small Tea Growers' Associations ? Coonoor-Kothagiri (FESTA ?CK). These three Federations have come together to form Federation of Small Tea Growers' Associations - Nilgiris (FESTA-N). Structure at the higher level is democratic giving scope for participation. District/state level bodies are formed by the primary societies.

According to the society leaders who are members of these associations the state and national federation are important as they provide an opportunity for them to 1) articulate their concerns and place it before the Tea Board; 2) dialogue with the ministry at the national level and create a space for their perspective to be integrated in the national policy; 3) publicise through media and other public action their position and 4) help and spread the message to other STGs who are at the moment not a part of the PPSs to understand and join in the movement. Since the PPSs federate at the national level and are carving a policy space for themselves, it is important that the selection of the leadership remains a democratic and transparent process. It is important that the leadership acquires the necessary skills to understand and locate the STGs as part of a larger socio-political environment as well as understand and articulate the challenges that global trade relations pose for the STGs.

**VI e. 6. Forward Integration of PPSs:** Where the PPS initiative falls short is in establishing direct marketing linkage. Particularly in comparison to INDCO which has institutional support in terms of manufacturing as well as marketing, the fact that PPSs lack such an institutional structure is a crucial issue that needs to be looked into.

STGs feel that there will be obvious benefits if they own tea manufacturing/processing units and this will ensure its sustainability. Marketing their own tea will get them directly in touch with the buyers and they will have a direct access to the changing consumer demands. In fact tea produced by the STGs can also carve a niche consumer based on the principles of ethical production. But the biggest stumbling block is the huge financial implication this has for the STGs. Interviews with the STGs reveal that they have estimated that at present about Rs 4.2 crore is needed for setting up a processing unit. The Tea Board supports about 25 per cent of this cost through the Special Purpose Tea Fund (SPTF). Societies through federations are trying to mobilise resources to

set up processing factories. Federations are also raising the demand with the Tea Board to give more assistance to STGs for setting up factories in the next plan phase.

## **VII. Conclusions and Policy Implications**

The collectivisation of small tea growers can be considered success if such coming together have helped the growers to improve their overall livelihoods and achieve a stronger position in the overall tea value chain. It is worthwhile to quickly compare the four models of collectives against parameters that denote improved collective strength and better livelihood opportunities.

From the above summary (Table 12), we are able to draw certain conclusions vis-a-vis some of the larger questions raised at the outset. They also point to areas where further interventions are necessary.

1. Small tea growers are inserted into the tea value chain as a result of global changes in tea trade and brand led restructuring process. Their insertion into the value chain is determined by the governance structures within the chain as well as though interplays of territorial factors and institutional relationships.
2. The process of collectivisation of small tea growers studied in the context of the Nilgiris shows that the existing institutional arrangements have responded to the challenges that confront the STGs and STGs have tried to build a counter pressure through upgrading their productivity and quality, improving forward linkages and enhancing their bargaining power.
3. INDCOSERVE, SHGs and PPSs intend to enable the farmers to overcome market entry barriers and improve the accrual of economic value for their produce. SHGs turn out to be unsustainable. While INDCOSERVE manages to get the small growers into a direct relationship with the processing factories

**Table 12 - Impact of collectives on livelihoods of STG – Comparison across various collectives in Nilgiris**

Areas of impact	INDCO	SHG	TANTEA	PPS
Improved linkage with processing factories	INDCO members have access to the INDSCO processing factories	SHG members could not develop sustainable direct linkages with processing factories	Corporate/Worker management relationship characterises TANTEA. It has its own processing facility but Farmers have no linkage with the processing units.	Have initiated direct linkages with processing factories. But PPSs have not been able to establish their own processing factory.
Better price realization for green leaf	Apart from Salisbury, the STGs could not realise a better price. But there is government subsidy on leaf price offered from time to time	Gains were limited and short lived and could not be sustained	Workers were paid minimum wage but there is no collective bargaining mechanism in place. Trade unions organise only the permanent workers.	Farmers have benefitted from better price – in some cases double of what the agent gave them
Reduced input costs	Farmers got access to credit for inputs, transportation, leaf bags etc	Improved access to credit	Not affected by the input costs	Farmers got access to credit for inputs, transportation, inputs made available at a reduced cost. STGs get the required quantity issued

*cont'd...*

Areas of impact	INDCO	SHG	TANTEA	PPS
Scope for participation in the functioning of primary collectives	No participation on envisaged or enlisted	Leadership of women encouraged	No participation on envisaged or enlisted	Member primary is respected - Every PPS has a general body consisting of all the STG members, which elects the executive council.
Scope for participation in the functioning of higher-level collectives	No participation envisaged or enlisted	No higher level	No participation on envisaged or enlisted	Structure at the higher level is democratic giving scope for participation. District/state level bodies are formed by the primary societies.
Access to Government Schemes	Government subsidy on leaf price	Improved access to banking and other facilities	Limited as no land rights	Improved access to banking and other facilities
Access to Tea Bord schemes	Trainings but reach is limited	Benefitted from QUP, revolving fund	Status is plantation workers not small tea growers	Benefitted from QUP, revolving fund

*Source:* Field work during November-December 2011.



and have direct marketing channel - TEASERVE, the co-operative apart from the exception of Salisbury does not succeed in getting farmers a better price. The price gains for INDCO members are limited and short-lived and also the price of auction price of made tea is low. On the other hand the PPS model enables farmers to get a better price for members by avoiding the leaf agent and get direct access to BLFs. Better price realisation for the farmers organised in PPSs is a result of their improved negotiating capacities. But the PPSs have not gone beyond this. They have not been able to go further up the value chain to establish their own processing units and to establish direct market linkages.

4. Member primacy along with professional management is extremely crucial for a collective. INDCOSERVE needs to get out of the bureaucratic entangles and red tapism, but how far the component of member primacy can be established remains a question.

### **Policy Concerns**

5. The cases of successful collectivisation in the dairy, fishery and other sectors emphasise that small producers need to upgrade their relative position in the overall value chains, through forging strong forward linkages. Only when the PPSs enter into processing and establishing direct marketing linkage the collective will be able to realise the full potential. Herein the role of the Tea Board in supporting the PPSs which has so far proved to be a sustainable and viable form of collectivisation becomes crucial.
6. The government has institutionalised marketing support for INDCO farmers through TEASERVE. This is a strong component that has enabled the INDCO factories to survive and retain their membership. PPSs so far have been lacking such an enabling structure. Marketing support can help the PPSs move up the value chain.

7. Tea Board needs to be strengthened and work on strategies to enhance capacities of STGs and facilitate them to upgrade in the tea value chain - technical support, marketing assistance and improving credit accessibility remain important cogs in the wheel.
8. Planning Commission should study the PPS model of the small tea growers in terms of how it has fared over the years and make enabling provisions for the STGs in the ensuing plans.
9. Historically, at the time when the Tea Board was set up in 1954, the presence of small tea growers was non-existent. Structurally, Tea Board does not have an institutional set up to cater to the needs of the small tea growers. Recently it has been announced that a Tea Directorate will be set up under the Tea Board during the 12th Plan period. The directorate can benefit the STGs societies as there could be more focused implementation of the schemes, increased transparency and implementation.
10. The STG directorate should have within its purview the function of registration of PPSs and the STGs. It should facilitate and rationalise this process of registration so that maximum number of STGs can avail of the Tea Board benefits.
11. Licenses of the BLFs should be issued by the STG directorate conditional to implementation/progressive implementation of the price sharing formula. This should further be closely monitored and followed up by the STG directorate and ensure that the STGs get a fair price for their produce.
12. A data bank on the STGs, the PPSs and BLFs should be maintained by the Tea Board. This should include information on the quantity and quality of leaf produced by STGs and the price at which it was sold. This will enable better monitoring.
13. STG Directorate should facilitate market linkages for the STGs by supporting development of geographical indicators, organic

tea production and branding of small tea growers' tea both at the national and international level.

14. The STG directorate should make further provisions to enable the STGs to benefit from the revolving fund as well as Special Purpose Tea Fund.
15. Adequate financial and human resources should be made available with the Tea Board to be able to create and sustain this STG directorate.

## Acknowledgement

The authors of this paper would like to offer their gratitude to Mr Amblavalan, Executive Director, Tea Board of India for his useful insights into the Tea Industry of Nilgiris; Mr. A.S. Jafry, Managing Director, INDCOSERVE, the managers at INDCOSERVE, management of the INDCO Kattabettu, INDCO Manjurtea and INDCO Salisbury and the Management of TANTEA for sharing valuable information on their initiative with the researchers; Mr. Ramalingam at the UPASI KVK office in Coonoor who guided the authors through the work of UPASI KVK and Mr. S. Mageswaran, Secretary, Coonoor Tea Trade Association (CTTA) for his thought provoking perspective on small growers.

The authors offer a special appreciation to the Centre for Education and Communication, particularly, Executive Director Mr. J. John for being a great source of inspiration and guidance, Mr. V. Rajanagam and Mr. Gijo P. Mathews for their lively support during the field work. Last but not the least, and most deservingly, this paper acknowledges the support of various Small Tea Growers' collectives in Coonoor, Gudalur and Ooty, workers at TANTEA Estates and members of INDCO and all the other small tea growers for meeting the authors and briefing them which was most essential for this paper.

***Pallavi Mansingh** is consultant and researcher working on trade, livelihoods and labour.*

***Libi T Johnson** is an independent researcher working on community and livelihoods issues.*

## References:

- Balaji C, *Nobody's Children*, Down to Earth, April 30, 2006.
- Bishnupriya Gupta, *Collusion in the Indian Tea Industry in the Great Depression: An Analysis of Panel Data*, University of Alicante, April, 1995.
- Crisis in the Tea Industry*, Centre for Education and Communication (CEC) 2003.
- Interim (Periodic) Report, INDCOSERVE, October 31, 2011.
- Jeff Neilson, Bill Pritchard, *Value Chain Struggles: Institutions and Governance in the Plantation Districts of South India*, Blackwell Publishing 2011.
- John J, *Globalisation and the Indian Tea Industry, Globalisation and its Effect on Tea Plantation Workers*, Centre for Education and Communication (CEC) 2004.
- List of Societies formed from 2006-2009, Report of Project Sustainable Livelihoods for Small Tea Growers, Centre for Education and Communication (CEC) 2009.
- List of Societies, Project Report Sustainable Livelihoods for Small Tea Growers, supported by NABARD, Centre for Education and Communication, CEC(2011).
- PUCL, Fact finding Report into the Land Situation in Gudalur Taluka, Nilgiris District, 2002.
- Reddy V. N. and. Bhowmik, Sharit K, 'Small Growers and Co-operative Tea Factories in Nilgiris,' *Economic and Political Weekly*, Vol. 24, No. 39 (September 30, 1989).
- Report of the Intergovernmental group on Tea 20<sup>th</sup> session January 30, 2012 – February 2, 2012, FAO 2012.
- Report on QUP, UPASI KVK, September 2008.

Tea Break, Action Aid, 2005.

*Tea in Tamil Nadu, A Commodity Study in Nilgiris and Coimbatore Districts*, National Bank for Agriculture and Rural Development, Tamil Nadu Regional Office, Chennai 2006.

*Tea Digest 2002*, Tea Board.

The Times of India, June 5, 2011, Small Farmers Wage a big fight over Land.

Tea Board, Tea Plantation Development Scheme for the XI Plan period 1-4-2007 to 31-3-2012.

### Websites

[www.uniliver.com](http://www.uniliver.com) (accessed on December 24, 2011)

<http://www.teaboard.gov.in> (accessed on December 18, 2011)

[http://www.indianetzone.com/22/tribes\\_tamil\\_nadu\\_india.htm](http://www.indianetzone.com/22/tribes_tamil_nadu_india.htm)  
(accessed December 10, 2011)

<http://badaga.wordpress.com/research-on-badaga-badugu/>(accessed December 10, 2011)

<sup>1</sup>[http://nakkubettanews.com\\_index.php?option=com\\_content  
&view=article&id=1:badagas-of-nilgiris&catid=1:general &  
Itemid=11](http://nakkubettanews.com_index.php?option=com_content&view=article&id=1:badagas-of-nilgiris&catid=1:general&Itemid=11)

[www.saiindia.gov.in/english/home/Our Products/Audit Report](http://www.saiindia.gov.in/english/home/Our_Products/Audit_Report)  
(accessed on December 30, 2011)

<http://pib.nic.in/feature/fe0299/f1202992.html> (accessed on December 24, 2011)

<http://pib.nic.in/feature/fe0299/f1202992.html>

The Hindu Business Line, September 25, 2004 source: <http://www.thehindubusinessline.in/2004/09/25/stories/2004092500751000.htm>

[http://www.thehindubusinessline.com/industry-and-economy/agri-biz/  
article2659871.ece](http://www.thehindubusinessline.com/industry-and-economy/agri-biz/article2659871.ece)

[www.teaboard.gov.in](http://www.teaboard.gov.in) (accessed on December 17, 2011)

The Hindu Business Line, September 25, 2004

[www.tantea.co.in](http://www.tantea.co.in) (accessed on December 15, 2011)

[www.cec-india.org](http://www.cec-india.org) (accessed on January 15, 2011)