



# ECONOMIC LIBERALIZATION AND PRICING OF TEA LEAVES; A CASE STUDY OF SMALL TEA GROWERS IN JORHAT DISTRICT OF ASSAM

Dr. Debojit Konwar

Associate Professor

St. Joseph University, Dimapur, Nagaland

## Abstract

*Economic liberalization is a process of interaction and interdependence between different sectors and industries which implies neither deficiency nor surplus through input and output or free export and import among different countries. It is a global chain with free market operation connected with each other. Considering that there should not be the deficiency or excess of demand of product and price should not be fallen destructively such that price is not cover their cost. But in reality the small tea growers are not receiving favorable terms of trade of their product. Price is the key mechanism by which domestic and international markets are linked by free market operation under the context of economic liberalization. Thus for effective functioning of the market with action the demand and supply reaction, should be accurate and match each other such that how much produce should exactly equal to how much consume i.e. demand of product is equal to supply of product.*

*The present study has made an attempt to find out the reasons of price fluctuation of tea leaves from the context of economic liberalization and suggestive measures through a case study of small tea growers in Jorhat district of Assam.*

*Keywords: Small tea growers, bought leaf factory, Tea Marketing Control Order, Tea Board*

## INTRODUCTION:

In context of economic liberalization, price fluctuation of green tea leaf is considered as one of the hottest and debatable issue in last few years. Which is connected with failure of economic liberalization in one side and threatening of survival of small and marginal farmers is another by unexpected falling price of their product in the market. The small growers have no control over production of tea leaves, price of input cost, manufacturing process as well as national and international trade of made tea. Besides poor agricultural practices lead to production of low quality of leaf, weak extension services along with absence of adequate policy protection hinders smooth functioning as well as receiving a reasonable price in the market.

Lack of proper business plan, improper structure, and absence of bargaining power are representing as the main drawback of small tea growers of their product. The low quality of tea due to unscientific method of cultivation is also result for poor economic return.

Production of high quality leaves tends to high quality of made tea and also high return of price. Tea is such type of crop that it should be plucked in proper time and send to the factories within very short period. Conceptually the small tea growers should plucked two leaves and a bud within 24 hours of every alternate of 6-7 days and the distance of factories technically should not exceed maximum 10-15 KM of plantation area. The small tea growers within the state use quality of inputs e.g. fertilizer, pesticides, etc. from global market with high cost and produce low quality of leaf e.g. one bud four or five leaves with every alternate 8-9 days as a result the size of clone increases and at the same time long distance damage maximum tea leaves which affect the quality of made tea also. Statistically there are 229 bought leaf factories are come up to the state and they commonly opinion that the leaves supplied by small tea growers are poor quality and hence the price of their product is low. Therefore the implication of economic liberalization of agriculture that “the decision making process in agriculture should be governed by free operation of market forces” is completely unsuccessful in case of small and marginal farmers and to economically poor areas who have no technical knowledge of production and plantation, no idea about market forces and the dimension of change of the world even not know the price of their leaves sold at the bought leaf factories. Considering these fear of economic liberalization, the Govt. of India at the very initial stage of new agricultural economic policy proposed to important policies for the encouragement of small and marginal farmers one was Tea Marketing Control Order (TMCO2003) against the fluctuation of price of tea leaves with assurance of minimum support price, and another was providing subsidies to small and marginal farmers. But as the liberalization process is going on both these policies lose its strength against privatization and the terms of trade moves in favor of capitalist/entrepreneurs class. The majority benefit of these subsidies goes to capitalist lead more differences between small and marginal farmers and the entrepreneur’s class. The proposal TMCO became a statement of intent with no positive action. Tea Board is a separate body to look after the tea industry within the country, but strict rules and regulation provided by Tea Board to offering its benefit to small and marginal farmers deprived many small tea growers to getting the benefit from Tea Board, while the growers pay 0.25 paisa/kg of green tea leaves as a tea cess/taxes through brought leaf

factories. The activity of Tea Board also seems to avoid the serious problem of fluctuation of price of green tea leaves.

In this paper an attempt has been made to find out the reasons of price fluctuation of tea leaves and suggestive measures from the context of new economic policy through a case study in Jorhat district of Assam.

### OBJECTIVE OF THE STUDY:

The study has following objectives.

- To find out the result of free market operation in fixing the price of green tea leaves.
- To find out the relating causes of price fluctuation of tea leaves.
- To suggest policy measures and conclusion.

### METHOD AND PROCEDURE

The descriptive survey method is used in the study. A total 50 small tea growers randomly and 2 bought leaf factories (namely Balaji and Dhanashree tea industries) are purposively selected for this study. The information's are gathered by using prescheduled questionnaire at the same time secondary data are also used according to need.

### LIMITATION OF THE STUDY:

- The study relates Jorhat district of Assam.
- The study is based on expressed opinion of the respondent.
- The Study relates in the year 2020-2021 only.

### RESULT AND DISCUSSION:

Available literature found that the climatic condition of the state is suitable for tea cultivation and the Brahmaputra and its tributaries bring silt in the region which made the soil very fertile for tea cultivation. Jorhat is well-known for its extensive tea gardens, and is the nerve centre of the tea industry. The Tea Festival is held in the district of Jorhat in the northeastern state of Assam in India. Jorhat has the world famous Tocklai Experimental Centre. In this place research work is carried out to find new varieties of tea and also the curative effects of green tea.<sup>i</sup>[1]

**Table 1.01: Profile of the District**

| Heads                    | 2011        | 2017-18      | 2021 (Estimated as per aadhar uidai. Govt. in Dec 2020) |
|--------------------------|-------------|--------------|---|
| Population               | 1092256     | -            | 1199019   |
| Literacy                 | 82.5%       | -            | 85% (projected)   |
| Total Area               | 2851 sq.km. | 2851 sq.km.  | 2851 sq.km.   |
| No. of small Tea growers | -           | 13309        | Increasing  |
| Production of made tea   | -           | 23.50 m.kg** | -   |

**Source:** Census 2011 and Tea Board statistics 2017-18

**Table 1.02: Region wise Production of Tea in India (Million Kg)**

| Year | NORTH INDIA | SOUTH INDIA | ALL INDIA |
|------|-------------|-------------|-----------|
| 2016 | 1054.51     | 212.85      | 1267.36   |
| 2017 | 1087.11     | 234.65      | 1321.76   |
| 2018 | 1113.76     | 224.87      | 1338.63   |
| 2019 | 1171.09     | 218.99      | 1390.08   |

**Source:** Tea Board Statistics 2020

Table 1.02 reveals that the North Eastern Region occupies an important place overall production of tea of our country. In 2018 the NER produce 83.20 per cent of countries tea production which increases to 84.25 per cent in 2019

The bought leaf factories commonly opinion that the small tea growers are producing low quality of leaf and hence their price is low however, some technical factors are related with production of quality tea leaves i.e. plucking, training of workers, distance of factories and plantation area, use of fertilizer and soil test etc.

**Table 1.03: Work Practices of Tea Growers in Production**

| Distance of bought factory |                 | Proper plucking of leaf |              | Training of workers |                  | Soil test |          | Use of proper recommended fertilizer |              |
|----------------------------|-----------------|-------------------------|--------------|---------------------|------------------|-----------|----------|--------------------------------------|--------------|
| 0-15 km                    | 15 km and above | Followed                | Not Followed | With training       | Without training | Test      | Not test | Followed                             | Not followed |
| 28                         | 22              | 32                      | 18           | 20                  | 30               | 15        | 35       | 21                                   | 29           |
| 56.00                      | 44.00           | 64.00                   | 36.00        | 40.00               | 60.00            | 30.00     | 70.00    | 42.00                                | 58.00        |

**Primary:** Source. Figure of parenthesis shows per cent to total.

Table 1.03 shows that 44.00 per cent of tea growers are facing problem of distance as their plantation area is 15 and above km away from bought leaf factories damages some tea leaves at the time of transportation. The growers 36.00 per cent of them are not followed proper method of plucking tend to low quality of product. The tea growers with 60.00 per cent are not technically trained, at the same time 70.00 per cent do not have soil test and 58.00 per cent of them are not following the recommended fertilizer definitely result low quality of product as well as increase the cost of production.

Considering fluctuation of price of tea leaves, it is observed that the elasticity of supply of tea leaves is *less price elastic* i.e. falling off price of tea leaves, the growers have no control to reduce its supply. At the same time they do not have alternative to absorb their productivity instead of supplying bought leaf factories limits their bargaining power. Simultaneously some grower received advance money from the factory owners and some of them have no idea about cost and return of their product also encourages the falling of price and exploitation of factories and some time the middleman also compelled the growers to sell their product to them at low price.

**Table 1.04: Work Practices in Marketing and Disposing of Tea Leaves**

| Agreement of price of tea leaves |              | Receive of advance money |              | Alternative of supplying their product |                     | Idea of cost and production of made tea |              |
|----------------------------------|--------------|--------------------------|--------------|--|---------------------|---|--------------|
| Agreement                        | No agreement | Received                 | Not received | Have alternative                       | Without alternative | Have idea                               | Without idea |
| ---                              | 50           | 22                       | 28           | ---                                    | 50                  | 15                                      | 35           |
| ---                              | 100.00       | 44.00                    | 56.00        | ---                                    | 100.00              | 30.00                                   | 70.00        |

**Primary:** Source. Figure of parenthesis shows per cent to total.

Table 1.04 reveals that the growers do not have any agreement with bought leaf factories about price of tea leaves and do not have any alternatives to absorb their product. The growers 44.00 per cent received advance money from the factories limits their bargaining power and 70.00 per cent do not have any idea about cost and return of made tea.

The small tea growers uses quality of inputs i.e. fertilizer, pesticides, etc. from global market with high cost but the growers received less price of their product. The low price realization of green tea leaves from the bought leaf factories has been a persistent problem for the growers,

**Table 1.05: Piece of Tea leaves (Rs. in per Kg)**

| Year                   | March-May | June-August | Sept-November | Average Price |
|------------------------|-----------|-------------|---------------|---------------|
| 2020                   | 21.00     | 26.00       | 30.00         | 25.66         |
| 2021                   | 29.00     | 28.00       | 23.00         | 26.66         |
| Variation of Price (%) | 38.09     | 7.69        | -23.33        | 3.89          |

**Source:** Primary

Table 1.05 reveals that there is huge price variation of tea leaves in different seasons and months. In 2020 and 2021 the highest variation is 38.09 per cent in the month of March-May and -23.33 per cent in the month of September-November. The average variation is found 3.89 per cent.

On the other hand table 1.06 reveals that there is less price variation of the inputs used by the growers. The variation of price in 2020 and 2021 of various inputs i.e. DAP is 1.41 per cent, SSP is 2.32 per cent; MOP is 2.10 per cent and no variation of price of urea.

**Table 1.06: Price of Inputs used in Production (Rs. in 50 Kg)**

| Year/Inputs | 2020 | 2021 | Variation of Price (%) |
|-------------|------|------|------------------------|
| DAP         | 1410 | 1430 | 1.41                   |
| SSP         | 430  | 440  | 2.32                   |
| UREA        | 410  | 410  | 0.00                   |
| MOP         | 950  | 970  | 2.10                   |

**Source:** Primary

From demand side, it is observed that the demand tea leaves constituted from bought leaf tea factories. The maximum capacity to absorb green leaves of these industries is 14,000 - 30,000 kg par day. But during peak season in the month of June-July as the tea production increases with rain fall the supply tend to increase to 35000 kg or more to the factories. So these excess supplies also encourage and pressurize to fluctuating the price of tea leaves.

**Table 1.07: Supply of Tea leaves and Absorbing Capacity of Bought leaf Factories**

| Name of Tea Industries    | Capacity of absorb of tea leaves per day | Supply of tea leaves in season period (June-July) |
|---------------------------|--|---|
| 1. Balaji Tea Industry    | 14000 – 15000 kg                         | 0 – 25000 kg                                      |
| 2. Dhanshree Tea Industry | 30000kg                                  | 0 – 35000 kg                                      |

**Source:** Primary

Table 1.07 shows the absorbing capacity of bought leaf factories and supply of tea leaves. The bought leaf factories are out of their productive capacity in season period (June-July). As they are suffering from excess supply so naturally they are offering fewer prices. Therefore under free market operation the price of green tea leaves should fixed on the basis of equality between demand and supply is unsuccessful.

Finally, an attempt has been made to find out at what price made tea is sold by brought leaf factories in market. And relating with that market price, how much return the growers (Rs. per kg) have to be received of their product. Generally the brought leaf factories are operating two type of market. One is private market and another is auction market. The price received in private market normally higher than auction price.

**Table 1.08: Tea Auction prices in North India (Quantity thousand kg, Price per kg)**

| Month               | Kolkata |        | Guwahati |        | Siliguri |        | North-India Total |        |
|---------------------|---------|--------|----------|--------|----------|--------|-------------------|--------|
|                     | Qty.    | Price  | Qty.     | Price  | Qty.     | Price  | Qty.              | Price  |
| April 20            | -       | -      | 758      | 121.72 | 1295     | 157.11 | 2053              | 144.04 |
| May 20              | 382     | 135.48 | 6249     | 200.34 | 5527     | 190.42 | 12158             | 193.79 |
| June 20             | 5356    | 255.33 | 10598    | 245.95 | 7460     | 215.51 | 23425             | 238.40 |
| July 20             | 11954   | 298.03 | 12154    | 278.50 | 16890    | 236.75 | 41016             | 266.99 |
| August 20           | 14895   | 305.68 | 16803    | 293.91 | 14335    | 248.08 | 46063             | 283.43 |
| September 20        | 14501   | 280.71 | 20437    | 272.68 | 16648    | 250.33 | 51614             | 267.72 |
| October 20          | 9967    | 253.50 | 16497    | 221.48 | 7773     | 213.82 | 34262             | 229.05 |
| November 20         | 16520   | 212.93 | 17209    | 180.67 | 13077    | 170.84 | 46817             | 189.30 |
| December 20         | 24313   | 191.84 | 21151    | 162.57 | 24060    | 161.66 | 69542             | 172.48 |
| January 20          | 15608   | 190.75 | 15044    | 165.68 | 18107    | 161.39 | 48779             | 172.10 |
| February 21         | 10760   | 169.79 | 9650     | 151.92 | 4275     | 149.53 | 24695             | 159.29 |
| March 21            | 5106    | 146.92 | 1136     | 152.43 | 717      | 169.16 | 6959              | 150.11 |
| April-March 2020-21 | 129362  | 230.90 | 147686   | 217.91 | 130164   | 200.16 | 407383            | 216.36 |

**Source:** Tea Auction Price, Tea Board 2020-2021

Table 1.08 shows that the average auction price of made tea in North India is Rs. 216.36/ per kg. As per Tea Marketing Control Order 2003 (TMCO) the share between small tea growers and bought leaf factories is 65:35 of which 65 per cent goes to small tea growers and 35 per cent to factory owners. Technically to produce 1 Kg made tea need 4.5 - 5 kg green leaves. Now if we assume the made tea is sold at price Rs. 216.36, then the share according to 65:35 ration of TMCO order is Rs. 140.64/- against 5 kg of tea leaves should receive by the growers (Rs. 140.64/5= Rs. 28.13 per kg) and Rs. 75.72/- to factory owners. So price of tea leaves should not be less than Rs. 28.13 per kg. But in practical the growers received Rs 25.66 to Rs. 26.66 per kg in the market. So 28.13 – 26.66 = Rs. 1.46 per kg is representing as exploitation of factory owners.

## REMEDIAL MEASURES AND CONCLUSION

During last three decades small tea cultivation has become popular among the common farmers. The new venture is playing a vital role in development of socio-economic condition of the farmer in rural areas of the state. Besides providing directly assured employment opportunities to a sizeable number of unemployed persons in the rural areas and providing indirectly income opportunities in transport storage and marketing etc. are considered as one of the major contribution of the tea industry. Therefore a

positive price policy of tea leaves is much essential for the survival as well as smooth growth of the industry.

Price policy is not very essential for traditional agriculture but in non-traditional agriculture price policy with marketable surplus may represent as an incentive not only to that particular sector but also to its related sectors. But from global point of view, the existence of small tea sectors in free market operation need special attention to its quality of product at the same time have to reduce the cost of production such that they improve their existing condition and less effect of fluctuation of prices.

The study made through 50 sample growers and two bought leaf factories selected purposively might have some limitation because a sample of larger dimension might reflect a little different picture. But, the following measures may be useful to run through the problem of price fluctuation of green tea leaves.

- From global point of view for existence of small tea sector in free market operation need special attention to its quality of product at same time have to reduce the cost of production such that they improve their existing condition and less effect of fluctuation of price by reducing cost of production.
- Proper plan and strategy of tea cultivation is much essential of getting reasonable price. Proper plan and strategy includes proper training, reduction of cost and maximum returns.
- The official and technical person of prescribed bodies i.e. Tea Board, Small Tea Grower Advisory Cell, Tea Husbandry and Technology should come forward to the small tea growers for guidance, technical and financial support to them.
- Proper implementation of TMCO order and strict action against the exploitation of factory owner by Govt. can also control the price fluctuation of tea leaves some extent.
- Setting up bought leaf factories on co-operative basis by the small tea growers may be another measure to relax the pain of price fluctuation.
- Govt. should also take initiative in favour of small tea growers such that they receive at last the nominal profit to cover their production cost.

## References:

- [1]. Banarjee G D, Sarda Banarjee: *Sustainable Tea Plantation Management*, International Books Distributing Co. Khushnuma complex Basement-7 Lucknow-226001, UP, India, 2008.
- [2]. Baroowah G P: *Tea legend life and livelihood of India*, L.B.S. Publications Panbazar Guwahati Assam 781001, 2006.
- [3]. Baruah Pradip: “Tea Drinking Origin Prospect Habits with special References to Assam its Tribes, and Role of Tocklai”; *Science and Culture*, Sept-Oct, 2011
- [4]. Baruah P: *The Tea Industry of Assam Origin and Development*, E B H Publishers, Guwahati Assam 781001, 2008.
- [5]. Bora P C & A Deka: “The Tea Industry in India”, *Global Advances in Tea Science*, Aravali Books International (P) Ltd New Delhi, 1999.
- [6]. Hazarika M, Mrinal Talukdar (eds): *Tocklai & Tea as the Road Fades Away*, Tea Research Association Jorhat-785008 Assam. 2011.
- [7]. Mishra D C: *New Direction in Extension Training*, Training Directorate of Extension Ministry of Agriculture, New Delhi, 1990.
- [8]. Neelanjana R: “Tea Tea Industry”, *The Structure of Indian Industry (eds)*, Oxford University Press YMCA Library Building, Jai Singh Road, New Delhi 110001, 2006
- [9] [https://en.wikipedia.org/wiki/Jorhat\\_district](https://en.wikipedia.org/wiki/Jorhat_district)
- [10]. Tea statistics, Tea Board

