

**PUBLIC ACCOUNTS COMMITTEE  
(1969-70)**

**(FOURTH LOK SABHA)**

**HUNDRED AND FIFTEENTH REPORT**

**[Audit Reports in the Accounts of Tea Board (Ministry of Foreign Trade) for the years 1964-65, 1965-66 and 1967-68]**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1970 /Chaitra, 1892 (Saka)*

*Price : 75 Paisa*

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CORRIGENDA TO THE 115TH REPORT OF PAC  
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30-4-1970

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## PART II\*

Minutes of the sittings of the Public Accounts Committee held on :

22-1-1970 (FN)

10-4-1970 (AN)

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\*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).  
239 L.S. 22/20610

**PUBLIC ACCOUNTS COMMITTEE  
(1969-70)**

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**SECRETARIAT**

**Shri A. L. Rai—*Deputy Secretary.***

**Shri K. Seshadri—*Under Secretary.***

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\*Ceased to be a Member of the Committee with effect from 3-4-1970.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundred and Fifteenth Report (Fourth Lok Sabha) on the Audit Report on the Accounts of Tea Board (Ministry of Foreign Trade) for the years 1964-65, 1965-66 and 1967-68.

2. The Audit Reports on the Accounts of Tea Board were laid on the Table of the House on 26th May, 1967, 30th July, 1968 and respectively. The Committee examined paragraphs relating to the Tea Board at their sitting held on the 22nd January, 1970 (FN.). The Committee considered and finalised this Report at their sitting held on the 10th March, 1970 (AN). Minutes of the sitting form Part II\* of the Report.

3. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report. (Appendix IV). For facility of reference these have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the examination of this case by the Comptroller and Auditor General of India.

5. The Committee would also like to express their thanks to the officers of the Ministry of Foreign Trade for the cooperation extended by them in giving information to the Committee.

NEW DELHI;

ATAL BIHARI VAJPAYEE,

April 16, 1970

Chairman,

Chaitra 26, 1892(S).

Public Accounts Committee.

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\*No printed. (One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

**MINISTRY OF FOREIGN TRADE**  
**(TEA BOARD)**

**Audit Report on the Accounts of Tea Board for 1967-68.**

The Tea Board is financed mainly by the Central Government from the proceeds of cess on export of tea levied and collected under section 25(1) of the Tea Act, 1953 and to a limited extent by fees levied and collected by the Board itself for licences, permits etc. issued by it under the Act.

The receipts and payments under broad heads during 1966-67 and 1967-68 were as follows:—

<i>Receipts</i>	<i>*(1966-67 1967-68)</i>		<i>Payments</i>	
	(in lakhs of Rs.)	(in lakhs of Rs.)	1966-67	1967-68
Opening Balance	9.44	2.25	Administrative expenses .	33.89
Receipt on account of cess	200.00	124.53	Tea Promotion In India .	12.97
Fees on account of licences etc.	5.04	5.08	<i>Less</i> sale proceeds of tea and recovery of administrative fees from industrial canteens .	13.55
Other receipts .	56.74	47.76	6.71	8.25
			6.26	5.30
			141.44	135.28
			24.25	28.18
			117.19	107.10
			0.73	..
			87.65	2.48
			21.70	21.02
			0.23	0.08
			0.06	0.06
			1.26	2.39
			2.25	5.24
<b>TOTAL .</b>	<b><u>271.22</u></b>	<b><u>179.62</u></b>	<b>TOTAL .</b>	<b><u>271.22</u></b>
				<b><u>179.62</u></b>

## INDIAN TEA IN INTERNATIONAL MARKETS

India ranks as the biggest producer of tea in the world. The following table shows the production of tea and area under tea in India in relation to some of the other leading tea producing countries:

		1958	1961	1965	1966	1967	1968
(Area in hectares and production in tonnes)							
India	Area .	326,494	332,524	345,526	347,657	..	..
	Production .	325,226	354,397	366,374	375,983	378,953	397,582
Ceylon	Area .	231,765	237,712	240,508	241,372	242,331	..
	Production .	187,404	206,488	228,236	222,313	220,742	224,803
Kenya	Area .	13,510	17,756	24,755	27,339	30,077	..
	Production .	11,421	12,641	19,823	25,418	22,811	29,762
Major Tea Producing countries	Area .	716,006	737,179	767,447	776,241	..	..
	Production .	623,831	679,344	726,492	743,696	702,866	733,614

(SOURCE : "Tea Statistics" 1968 and 1969)

It would be seen that India accounts for namely 50 per cent of the area under tea as well as production of tea amongst the major tea producing countries.

1.2. The following table shows the value of tea exported from India between 1963 and 1968:

Year	Value (Rs. in crores)
1963 .	132.37
1964 .	124.90
1965 .	114.97
1966 .	137.52
1967 .	189.04
1968 .	166.48

(SOURCE : "Tea Statistics" *ibid*)

The data above would indicate that devaluation of the rupee arrested the fall in export earnings that had been taking place since 1963. However, there has been a backslide in 1968, when the value of tea exports fell by Rs. 23 crores from the previous year's level.

1.3. The exports of tea by major destinations are indicated below:

	1959	1961	1963	1965	1966	1967	1968
(In tonnes)							
U. K. . . .	127,356	123,797	134,576	110,239	94,297	117,231	95,955
U. S. S. R. . . .	12,038	11,392	16,788	28,246	16,681	20,670	21,737
U. A. R. . . .	11,931	16,050	16,776	19,523	18,597	16,564	8,745
U. S. A. . . .	10,556	9,740	9,954	8,014	7,348	8,401	8,339
E. Europe . . . .	1,606	593	2,190	2,779	5,160	4,071	3,629
Other Europe . . . .	196	365	467	644	622	541	573
Canada . . . .	7,233	6,483	5,219	4,957	4,079	3,915	4,201
Australia . . . .	2,875	1,873	3,580	4,203	5,994	5,409	6,447
Other Middle East countries . . . .	210	1,246	812	1,658	1,893	1,509	2,104
All countries (including countries above). . . .	212,516	205,066	221,302	209,358	188,229	217,776	199,751

The following conclusions seem to emerge out of the foregoing data:

- (i) Over the last decade the quantum of tea exports have fallen, there having been an almost progressive fall from 1963 onwards (except for a spurt in 1967). The result was that in 1968 India exported about 13,000 tonnes less than in 1959.
- (ii) Exports to countries like U.K., U.S.A., Canada, U.A.R. had, in 1968, fallen to levels which were well below what they were in 1959. The fall in exports was of the order of 25 per cent.
- (iii) The fall in exports has been particularly pronounced in respect of U.K., which is the biggest market for Indian tea, taking over 40 per cent—50 per cent of the country's exports. U.K.'s off-take of tea in 1968 was 25 per cent less than what it was in 1959.

(iv) Over the last decade, exports to other destinations, like Australia, Middle East and U.S.S.R. have, however, increased, though the quantum of exports to these countries has not been very significant.

1.4. The following table shows the exports made to some of India's principal export markets by other major tea-producing countries, *i.e.*, Ceylon and East African countries in relation to India:

(Figures in tonnes)

	1959	1963	1966	1967	1968
(i) U.K.					
India . . .	127,356	134,576	94,297	117,231	95,955
Ceylon . . .	62,911	78,931	70,296	83,132	73,696
East Africa . . .	23,708	28,685	42,868	42,209	43,848
(ii) U.S.A.					
India . . .	10,556	9,554	7,348	8,401	8,339
Ceylon . . .	17,480	19,299	20,211	21,060	17,283
East Africa . . .	2,104	4,313	5,069	5,921	Not available
(iii) U.A.R.					
India . . .	11,931	16,776	18,597	16,564	8,745
Ceylon . . .	4,759	2,924	1,383	6,310	5,684
(iv) CANADA . . .					
India . . .	7,233	5,219	4,079	3,915	4,201
Ceylon . . .	7,553	8,236	7,379	7,641	6,901
East Africa . . .	1,230	1,918	3,292	3,548	Not available

(SOURCE : "Tea Statistics" *ibid*).

It would be apparent that in respect of the foregoing four countries, which in 1959 accounted for 75 per cent of the exports from India, India was exporting in 1968 to each of these countries less than what it was exporting in 1959. On the other hand Ceylon and East Africa were by and large, exporting more to these countries in 1968 than they were in 1959. India had particularly lost ground to these countries in U.K., its principal export market.

1.5. Apart from a fall in the total volume of exports from India, there would appear to have been a fall in the unit value of tea also. The following table shows the average price per Kg. of Indian tea in relation to Ceylonese and East African tea in London auctions, where the bulk of

## Export to U. K. is sold :

Year	North India	South India	Ceylon	Africa	Price in Shillings/Pence per kg.)
1955	11/9	9/11	11/9	8/3	
1960	10/10	8/10	11/0	7/11	
1965	9/7	8/3	9/4	8/1	
1966	9/7	7/6	9/4	7/9	
1967	9/11	7/9	9/7	7/6	
1968	9/0	7/9	9/0	8/1	

(SOURCE : "Tea Statistics" *ibid*)

It would appear that a Kg. of Indian tea sold in U.K. fetched 23 per cent (approximately) less in 1968 than it did in 1955 (taking North Indian tea). Ceylon is also in this situation, but East African teas have not been materially affected.

1.6. During evidence, the Committee drew the attention of the representatives of the Ministry of Foreign Trade and the Tea Board to the twin phenomena about tea exports—the fall in the total volume of exports and the decline in unit value. The Additional Secretary, Ministry of Foreign Trade and the Chairman of the Tea Board explaining the position in this regard stated that the reduction in the volume of exports had occurred due to a number of factors. The strike in the Tea Industry this year had affected production. A more important factor "has been a somewhat abnormal rise in internal consumption". The estimated consumption of tea "has been increasing in recent years at the rate of 4 to 5 per cent per annum while production has been increasing at the rate of 1.8 to 2.0 per cent per annum. In absolute terms, estimated consumption in India has increased from 82.7 million Kgs. in 1953-54 to 188.5 million Kgs. in 1968-69, thus showing an increase of 105.8 million Kgs. Total production of tea in India has, on the other hand, increased from 278.8 million Kgs. in 1953 to 401.5 million Kgs. in 1968, thus showing an increase of 122.7 million Kgs. Thus, practically the whole of the additional production during the intervening period has been absorbed by the growing domestic market." The Tea Board had analysed the date regarding exports and found that the fall in exports was primarily due to a reduction in exports to U.K. markets. "Quantities of Indian tea sold at London auction have been steadily declining for the last few years, whereas that for African teas is going up over a decade or so. From the statement enclosed (appended as Appendix I to this Report), it will be seen that taking the average quantities of tea sold for 1953 to 1955 as base, the index of quantity sold has declined from 100 to 80 and 40, in the case of North Indian and South Indian teas respectively, whereas that for African teas has gone up from 100 to 445. The gradual switchover of Indian teas from London auctions to Indian auctions is a corollary to the gradual growth of Calcutta and Cochin auctions where the quantities sold have increased from 131.09 m. Kg. and

14.6 m. Kg. in 1953-55 to 170.55 m. Kg. and 64.47 m. Kg. in 1969 for Calcutta and Cochin respectively. The main reason for this shift has been the rapid growth in domestic consumption in India from 87 m. Kgs. in 1953-55 to 188 m. Kg. in 1968 which afforded opportunity to producers to dispose of increasing quantities of their teas at Calcutta and Cochin auctions at remunerative prices. The proportion of Indian tea consumed or retained in the domestic market increased from 29.59 per cent in 1953-55 to 47.35 per cent in 1968-69. In recent years due to steady increase in domestic demand on the one hand, and excess of supply over demand and consequent decline in prices in the international market on the other, prices at Calcutta and Cochin have tended to be more remunerative than at London which with the additional advantage of quick realisation of sale proceeds in the case of sales at Indian auctions have prompted producers to divert more and more of their teas to auctions in India and sending only teas of good quality and special characteristic which are specially in demand in U.K. and not so much sought after in India to London auctions."

1.7. As regards the fall in unit values of tea exports from India, it was stated that this was due to the fact that "there has been a greater supply of tea in the world market than was probably justified by demand." A survey by FAO had indicated that the world production of tea was going up at the rate of 3 per cent a year, but the world consumption by only 1 per cent. "This tendency is likely to continue indefinitely, in any case upto 1975." The declining tendency in prices had become a matter of serious concern to all Tea Producing countries and ways and means for arresting this tendency were discussed at several international meetings organised under the auspices of the F.A.O. "The Third *Ad hoc* Consultation on Tea was held in Kampala (Uganda) during 6th to 14th January, 1969. The Conference was attended by delegates and observers from both producing and importing countries as well as some international organisations. The problems concerning the tea industry of the world in general were discussed in this conference. The Conference recommended the establishment of a Working Party for the stabilisation of tea prices. .... The first meeting of the Working Party was held at Rome from the 5th to 16th May, 1969. One important feature of the meeting at Rome was that the producing countries like India, Ceylon, Indonesia, Japan, Kenya, Malawi and Mauritius showed their willingness to join a scheme for international regulation of exports if a satisfactory agreement were arrived at. These countries together covered nearly 87 per cent of the total world export of tea. The draft of an International Tea Regulation Scheme prepared by the F.A.O. Secretariat was discussed at the meeting and a number of amendments were suggested by delegates from different countries. In general, the climate appeared to be favourable for an international agreement. Apprehending, however, that finalisation of a formal international Agreement would take some time and realising that it was necessary in the meantime

to take some immediate interim action, the exporting countries decided to meet again in Mauritius to discuss the possibilities of some kind of immediate action to regulate exports.

1.8. The meeting at Mauritius was held during 23rd July to 4th August, 1969 and succeeded in formulating a plan to remove 90 million lbs. of black tea from the international market in 1970. Representatives from the producing countries came to an agreement on three important points which are as follows:

- (a) The reduction by all producing countries of the total volume of exports by 90 million lbs. effective from 1970.
- (b) Agreement on the distribution of the total volume of exports among all producing countries.
- (c) To go beyond 1970 and keep exports in step with demand.

It was also agreed that steps should be taken to intensify promotional campaigns in different consuming countries. In particular, it was decided that generic promotion in U.K. should be continued with a total annual budget of about £500,000 and Indonesia, Congo, Mauritius, Argentina and Rwanda which have not so long been contributing to the expenses for generic promotion in U.K. also agreed to do so in future."

"It was also agreed at the Mauritius meeting that in case a continuing body as recommended by the Third *Ad hoc* Consultation is not set up by the F.A.O. or cannot meet sufficiently early, another meeting of exporting countries should be held before the end of October, 1969. .... The Committee on Commodity Problems of the F.A.O. has accepted the recommendation of the Third *Ad hoc* Consultation for establishing a continuing tea consultation." The Additional Secretary, Ministry of Foreign Trade further stated during evidence: "We are the largest producers, and next to us comes Ceylon. We have also had mutual discussions between India and Ceylon and it is our view that we should present a common united front in regard to this problem. So, there have been talks between India and Ceylon also in this respect. And what is proposed for 1970 is a joint quota between India and Ceylon. The idea is that if we are not able to take best advantage of the quota, at least Ceylon can. And between two of us, we agreed to an export quota of 928 million lbs. We hope that by this process of restricting the availability of tea in the world market, it may be possible to secure a higher unit value for our tea.... The last round of talks on the subject took place in November. There was broad agreement that a joint consortium could be set up. One of the decisions taken for immediate implementation is that a joint survey may be undertaken in countries where there is no consumption of packeted tea and we can explore the possibilities of selling packeted tea to them."

1.9. The Committee pointed out that while India had lost ground, other countries, notably Kenya, had been able to fortify their position in markets like U.K., U.S.A. etc. They enquired whether the quality of Indian tea is comparable with tea from India's competitors. The Chairman, Tea Board stated: "Our quality is very good and probably better than that of any other country in the world. But unfortunately our seasons are such that the best quality tea is produced in a very short period of the year when we produce about 25 per cent of our tea in only two months. For the rest of the year our quality cannot be very good because of heavy rains. .... So far as Kenya and Uganda particularly are concerned, they have very good conditions for growing tea and the World Bank and other international bodies have advanced a great deal of money to them for the establishment of factories. These factories are in the Government sector in Kenya and these factories buy leaf from the small growers and this good quality tea is coming in a very large quantity—larger and larger quantity with the help of international bodies and that tea is coming into general market which is in direct competition which we sell in U.K."

"Kenya tea is, perhaps, only tea in the world which can stand competition. It is as good as Assam tea.... Assam, second flush is the best tea so far as U.K. is concerned. This is 25 per cent of the production and grows in May and June. Rest of the time such a good quality tea is not produced. In Kenya it is produced throughout the year as it rains throughout the year." The Additional Secretary, Ministry of Foreign Trade further stated that in Kenya, "the tea industry is comparatively in its infancy. The quality of the bushes is of the highest order and their acreage has now been increasing in the last ten or twelve years and their production is also steadily mounting up. They have also the advantage of being in a position to offer tea round the year unlike the Assam tea which is available for only two months. .... with their traditional connection with the U.K. interests, it is but natural that they are taking advantage of whatever increase is there in exports. In Ceylon, they are prepared to export what ever they produce and the pressure of the internal market is not so severe as in India." The capacity of Kenya to produce good quality tea placed India at a disadvantageous position. Elaborating this point, the Chairman, Tea Board informed the Committee: "We have been receiving regular reports from the buyers practically from all parts of the world.... They say that Kenyan tea quality is slightly lower than Assam tea but if they want to have Assam tea they have to stock for the whole year and thereby the cost goes high, whereas from Kenya they can get somewhat same quality of tea in the quantity required from them from time to time throughout the year. They find that it is better to concentrate on Kenya tea instead of Indian tea." The witness further stated: "Another point is that Kenya has no home market practically. They

produce good quality tea and whatever may be the quantum of tea that is produced is exported by them."

1.10. In a note submitted to the Committee, the implications of a growing market in India for its competitive position *vis-a-vis* East African countries have been explained in the following terms: "Production in East African countries has been steadily increasing with corresponding increase in their offerings at London auctions. These countries began to meet increasingly the demand for filler teas and gradually replaced Indian teas which could be had at higher prices because of the support given to these by the growing domestic consumption in India which has been growing at a rate higher than the rate at which production has been growing. Thus, medium or ordinary teas produced in India came to be increasingly offered at auctions in Calcutta and Cochin for home consumption and were also getting better prices than the prices they could obtain at London where the price trend started declining because of the inflow of larger quantities of cheaper teas from other sources. Producers of quality teas, however, continued to send their quality teas which are suitable for U.K. to the London market and received good prices for them. The decline in the price trend at London provided another reason for switchover from London to Calcutta/Cochin. African countries on the other hand, continued to send larger quantities for London auctions where prices were more remunerative than at Nairobi. The situation so far as Indian tea is concerned came to a climax in the year 1969. The quantities despatched for London auction in 1969 was only 40.84 m. kg. against 77.65 m. kg. in 1968. Due to devaluation of Sterling in November, 1967, London prices in Sterling which had declined to some extent in 1968 became very unattractive in terms of rupees. This led Indian producers who generally sold their teas through London auctions to change not only their marketing policy but also their production policy so that they produce more teas suitable for the domestic market and less teas suitable for the London market with consequent sharp decline in shipments for London auctions."

1.11. The Committee enquired why increase in consumption in the domestic market should interfere with the export effort. The Additional Secretary, Ministry of Foreign Trade replied: "We have consumed much more tea at a greater rate than what has been the experience in previous years and our exports have been down, as pointed out by my colleague, by 25 million pounds during the first six months of 1969-70. If we do not take corrective steps to arrest this trend, from the national point of view this is likely to result in a serious drop in our foreign exchange earning from tea both on account of the fall in volume and on account of the fall in the unit value to which I had referred earlier. So, our objective

now is to see that exports are restored to the level of 1968 and increased to a considerable level but within the overall quota which has been fixed for India and Ceylon. The second objective is to see that the more expensive teas are exported so that what we get by way of export realisation from what we are going to export would be a higher value than at present. These are our two objectives." He added: "Now, the demand from the Indian consumer is for the high quality tea. That is what I have been mentioning that it is acting as a deterrent to the export of better quality tea. In fact, the Indian buyer is prepared to pay something more for the producer in the Calcutta auction than what the producer gets at the London auction. That was the experience in 1969." In reply to a question whether it was not because of the export duty that exports were affected, the witness told the Committee: "That is one factor." He further said that the production of best quality tea, like Darjeeling tea "is very limited.....The type of quality tea which is available in Darjeeling can be produced only at that particular altitude. The area, as you may be aware, in Darjeeling available for tea cultivation is somewhat limited and we are taking the best advantage of the available area. It has not been possible to locate additional areas for tea cultivation. Anything that is produced at the lower altitudes between 3000 and 4000 ft. is not of the same quality." The foreign buyer was prepared to pay for this tea "a handsome price of Rs. 50 to Rs. 60 a Kilo at times." The Indian buyer would not be able to pay this price. "There will be", he added, "price resistance in which case the Darjeeling tea industry will collapse." The Committee pointed out that the country had to export no doubt, it had also to produce enough for export and for internal consumption. The witness stated: "We are trying to see that some inducements are available to the tea gardens to produce the type of tea acceptable in the Indian market." In a note on this point, it has been further stated: "The remedy to the situation lies in increasing our production so that the total quantity of tea produced may fully meet the growing domestic demand and yet leave sufficient and increasing quantities of tea for export to foreign markets at competitive prices. Apart from increasing production, it is also necessary to maintain, if not improve, the quality of teas produced so that corresponding to a larger availability of tea for export, the unit value of exports may not go down. Assistance is being rendered to the industry in this regard through various schemes run by the Tea Board, e.g., the Plantation Finance Scheme, the scheme for Hire Purchase of machinery and irrigation treatment, Re-planting Subsidy Scheme etc."

1.12. Taking note of the fact that countries like Kenya had certain advantages over India in the export market, the Committee asked what was being done to remedy the situation in the country's favour. The Additional Secretary, Ministry of Foreign Trade stated that "one reason which induced India into joining the negotiations for an International Tea

Agreement is precisely to try to contain countries like Kenya and others from expanding much more than we have been able to secure in the London market." The Committee enquired whether it was not over-optimistic to hope that such an agreement would work. In this connection, they drew attention to the fate of the previous international agreements on some commodities which had proved unworkable. Explaining the position, the Additional Secretary, Ministry of Foreign Trade said: "We have the choice of fighting a lone battle in the world market without coming to any agreement with the other producing countries. In fact, in the last meeting which we had in Rome, we found that there are a number of countries which are not interested in an international agreement. They want to push us down. .... We are quite serious about bringing all the producing countries within the ambit of an international agreement. The only way in which we can probably contain Kenya is by persuading Kenya also to fall in line and to subscribe to this. Even in Rome, they were little restive about it. We are trying to get the cooperation of other producing countries as well as certain other consuming countries to influence a decision on this point to see that the terms of this agreement are made equally binding on all countries, including Kenya."

1.13. The Committee are deeply concerned to observe that Indian tea has been progressively losing ground in most of the world markets. The country is the leading producer of tea in the world and, next to jute, tea has been the biggest foreign exchange earner. However, over the years, the volume as well as the unit value of tea exports have been rapidly coming down. How alarming the position is would be evident from the statistics given in this section of the Report. In 1968, India exported less quantity than in 1959. In four of her principal markets—U.K., U.S.A., Canada and U.A.R.—which, between them, absorbed 75 per cent of India's tea exports in 1959, exports had fallen by 25 per cent in 1968. The fall in exports to U.K. was particularly steep: in 1968, this country, which has been the biggest single market for Indian tea, imported from India about a third less than in 1959.

1.14. The fall in unit value of Indian tea in overseas markets has also been very disconcerting. Taking the tea sold in London auction alone, a kg. of North Indian tea fetched 23 per cent (approximately) less in 1968 than it did in 1955. The fall in unit value of South Indian tea, though not quite so sharp, was nonetheless also equally severe (about 22 per cent).

1.15. The Committee observe that the ground lost by India has been captured by its competitors, notably Ceylon and East Africa. Ceylon, though, it was also affected by the phenomenon of falling unit values, was exporting more tea in 1968 than in 1955. So was Kenya, which managed to get substantially the same price for its tea in 1968 as in 1955.

1.16. The Committee recognise that the set-back to tea exports has arisen from a world-wide glut. While world consumption of tea has been rising at the rate of 1 per cent per annum, world production has been increasing by 3 per cent. This situation no doubt indicates that it would be to the advantage of the producer countries to take concerted steps to limit supplies to the world market. However, desirable such a concert might be the following considerations suggest that an agreement would by no means be easy to secure.

- (i) The tea industry in some of the competing countries from East Africa is in its infancy and these countries may not, therefore, be willing to forsake the inherent advantages that this gives them vis-a-vis their competitors. During evidence, the representative of Ministry of Foreign Trade admitted that "a number of countries were not interested in an international agreement" during the discussions held for this purpose in Rome.
- (ii) Some of India's competitors do not have the advantage of having a large home market and would, therefore, inevitably look for expanding export markets under the compulsions arising from increasing production. This would mean their demanding a larger share increasingly.
- (iii) An agreement which was previously in existence founded in 1955 due to non-signatory countries increasing their acreage and export.

1.17. The Committee would, therefore, like to caution Government against expecting any salvation from an agreement of the type now under contemplation. In any case, Government will have to ensure that it does not result in our giving away more concessions than we get. In the ultimate analysis, Indian tea would have to hold its position in international markets on the strength of its quality, consumer appeal and marketing efficiency. Later in this Report, the Committee have made certain suggestions in regard to the lines on which export promotion would have to take place.

1.18. The Committee are also not in favour of the internal market being drastically starved of quality teas which are in demand. They appreciate that export of quality teas must have priority, but with the world market situation as it is now and the country's tea production also increasing, it would not be judicious for Government entirely to disregard the claims of the internal market, to good quality teas.

## II

### TEA PROMOTION

2.1. The Plantation Inquiry Commission pointed out in 1956 that there is a concentration of buying power in a limited number of firms. A study of the primary marketing of tea conducted for the F.A.O. by GATT disclosed that there had been no reversal of this trend: in fact, a minimum of 75 per cent of the tea bought in London auctions was bought for four buyers. In the course of evidence, the Committee enquired whether London auctions were really in the interest of Indian tea. The Chairman, Tea Board stated: "London is the biggest consumer of tea in the world. Both India and Ceylon have found that sending tea to the London auction is of advantage." In a note, on this point submitted to the Committee, the Ministry of Foreign Trade, have explained the position in this regard as follows:

"In the year 1954 a Committee was set up by the Government of India to study the auction system of Indian teas at different centres. This Committee recommended that Calcutta and Cochin should be the main centres for auction of Indian teas. A point for consideration in this connection is that once a tea is sent for London auctions the producer is completely at the mercy of the buyers there and it is not economically feasible to bring the teas back for sale through Calcutta/Cochin even if the prices offered at London are very unremunerative. The Committee recommended a gradual reduction in the proportion of Indian teas through London auction to 20 per cent so that our export trade may not be seriously upset by a sudden reduction in the supplies for London auctions. Although Government accepted the recommendation in principle, restriction on shipments for London auction was imposed only for 1955-56 and 1956-57 but was lifted following the Suez crisis in 1956. However, the proportion of teas sold through London has been coming down by its own momentum due to reasons mentioned earlier thereby making it unnecessary for Government to re-impose such restrictions. The proportion of the crop sent for sale through London auctions including forward contracts and direct sales to U.K. was only about 20 per cent of the total crop for 1968 and may have come down to less than 15 per cent for 1969 when direct shipments upto date are lower than for 1968 crop by about 29 m. kg. Any further precipitous withdrawal, it is felt, would not be in the interest of our exports. Ceylon, it may be relevant to mention, after experimenting with restrictions on teas sold in London has had to revise its policy."

2.2. The Barooah Committee which had examined the foregoing issue expressed the following views on the subject:

"There is no doubt that the increased volume of teas offered at the London auctions has made it possible for the British buyers to obtain their requirements much more easily and readily at home and they are less dependent on the auction centres in the producing countries. Purchasing at the primary producing centres involves an interval of 3 to 4 months before the buyers can recoup themselves by retailing the tea. On the other hand, the buyers at the London auctions were until recently allowed a prompt period of 90 days in which to pay, with provision for a discount of 5 per cent per annum for payment before the prompt date. As against the average prompt period at Calcutta, Cochin, Colombo and Nairobi of 15 days, the prompt period of London is now 42 days with provision for a discount of 1 per cent above the prevailing U.K. market rate for prompt payment. In these days of high interest rates, it is cheaper for the British buyers to buy tea at the London auctions than from the producing countries. In fact, Ceylon and African producers, faced with increased availability of tea for sale during 1961—65, had to use the London auctions as the major marketing channel for the disposal of the extra volume so as to avoid any depression of prices at their local auctions, which do not have the support of a sizeable internal consumption."

2.3. The Committee enquired to what extent Indian tea exported to U.K. was generally re-exported by that country. The Chairman, Tea Board stated that "ordinarily only 5,000 to 6,000 tonnes.....are re-exported. Most of the importers of Indian tea get it directly from India either from Calcutta or Cochin. The Indian tea sold in London auction is practically for consumption in U.K." A statement showing the quantum of re-exports of Indian tea from U.K. is at Appendix II to this Report. It would be observed therefrom that between 1966 and 1968 the re-exports ranged from 4,631 tonnes to 6,469 tonnes and were made to countries in West Europe and U.S.A. During evidence, the Additional Secretary, Ministry of Foreign Trade stated that it was precisely to meet this situation that a promotional unit was set up at Brussels.

2.4. The following table shows the imports for consumption made by U.K.:

	(Figures in tonnes)
1959	227,481
1961	240,154
1962	231,128
1963	230,162
1964	233,741
1965	222,755
1966	222,432
1967	230,176

It would be seen that compared to 1961, consumption has come down, though in 1967, there was an increase in the level of consumption. The Barooah Committee pointed out that "there are indications available that the decline in *per capita* consumption of tea in U.K. is being arrested....., but the share of Indian tea has not gone up." The Committee drew the attention of the witness to these observations. In reply, it was stated: "The present thinking in regard to promotional campaign in U.K. is more in favour of generic promotion and not to give so much importance to uni-national campaign. The U.K. trade was not initially willing to contribute a substantial share for undertaking promotional measures in the United Kingdom and the U.K. Government representative has now agreed to try to persuade the U.K. trade to provide a greater share for generic promotion. We hope the results would be forthcoming and we would be able to undertake generic promotion in a bigger way..... We have succeeded to a limited extent: I understand that predominantly Indian tea is becoming a little popular; we hope we shall be able to follow it up."

2.5. The Committee pointed out that other markets for Indian tea were available (e.g., U.S.S.R., East European countries). They asked what steps were being taken to develop alternative markets and expand exports to emerging markets. The Additional Secretary, Ministry of Foreign Trade replied: "On the promotional side, we have really tried to make a headway in some of the new countries—East European countries. We have made a substantial dent into it. In the neighbouring countries of Iran and Iraq, we are introducing substantial component by the bilateral agreement. And .....even in Australia, we have really made an impact."

2.6. The Committee enquired whether any overseas market surveys had been conducted by the Tea Board. In a note, it has been stated: "No market surveys in foreign countries have so far been undertaken by the Tea Board. A number of Delegations and Study Teams have, however, visited a number of foreign countries in recent years and suitable action in accordance with their recommendations have been taken. We now propose to undertake market surveys in different consuming countries and initially it is proposed to take up Malaysia and Saudi Arabia. A proposal in this regard is awaiting Government's approval."

2.7. In the Committee's opinion, London auctions have not proved a blessing for Indian tea. A study by F.A.O. revealed that 75 per cent of

the tea bought in London auctions were for four buyers. This monopoly on the buyers side has further weakened our position in what has essentially been a buyers market. The Committee recognise that it may not be practical for the country to withdraw from these auctions: on the other hand, with other exporting countries being obliged to sell in these auctions, our withdrawal would harm our interests. Nevertheless an early solution for this unsatisfactory situation will have to be found.

2.8. The Committee feel that, while an agreement with other countries to limit sales at London auctions might, in the foregoing circumstances, seem indicated, the long-term solution for this problem lies in diversifying the market for Indian tea. Tea consumption in U.K. seems to have been more or less steady over the years. In any case, as pointed out by the Barooah Committee, India has not been able to take advantage of any recent increase in consumption in that country that has occurred due to tea promotion campaigns. Besides, U. K. itself is re-exporting Indian tea to other countries, apparently after blending. This situation underlines the need for our seeking new markets and developing promising markets for exports. The Barooah Committee have drawn attention to the possibilities of augmenting exports to countries like Australia, U.S.S.R., Morocco and to developing countries. These should be further explored.

2.9. The Committee are in this context surprised to learn that the Tea Board has not carried out any market surveys. A proposal in this regard is now stated to be under consideration. The Committee would like an early decision to be taken thereon. The Committee need hardly add that such market surveys should be conducted by competent and experienced personnel and should be undertaken in association with Trade, which would have a stake in its results.

2.10. Reference has been made earlier in the Report to the fact that it is the quality tea produced in India which is in demand in the export market. The Committee asked for data about the acreage and production of quality tea. Government have stated in a note that "there is no hard and fast definition of quality tea. Certain specified areas are generally believed to produce quality teas, but all teas produced in these areas are not necessarily quality teas. The main quality producing areas in India are Darjeeling Hills, Lakhimpur, Sibsagar and Darrang districts of Assam valley and Coonoor and Ootacamund taluks of Nilgiri districts and Devi-

kulam taluk of Kottayam district." The acreage and production of tea in these areas were as under:

Units	Area (hect.)			Production (th. kg.)		
	1966	1967	1968	1966	1967	1968
1. Darjeeling Hills	17,209	17,308	17,405	8,119	9,475	8,011
2. Lakhimpur	53,607	54,524	55,324	74,432	75,094	79,856
3. Darrang (excluding Mongoldai)	20,702	21,004	21,255	24,403	23,844	25,354
4. Sibaagar	49,284	49,821	50,622	49,284	48,096	51,151
5. Coonoor & Ootacamund	16,740	16,811	16,822	23,577	22,165	27,661
6. Devikulam taluk	11,707	11,249	11,051	11,472	11,072	11,496
<b>TOTAL</b>	<b>162,249</b>	<b>170,717</b>	<b>172,679</b>	<b>191,287</b>	<b>189,746</b>	<b>203,529</b>

About the steps taken to encourage production of quality tea, it has been stated in the note that:

- "(i) constant research is being carried on to develop better-yielding varieties of tea. Constant research is being carried out in bringing out improved variety of tea seed and tea clones known to be good yielders as well as possessing good quality. T.R.A. and U.P.A.S.I. have as a result of numerous experiments released a number of improved clones and seeds;
- (ii) the Board has introduced a scheme for the award of trophies to tea gardens obtaining the highest yields per hectare and highest average prices for their teas, in different regions as also on all all-India basis;
- (iii) the Board is giving encouragement to the industry for planting out sections with high yielding variety and with quality clones. Therefore, a subsidy scheme has been introduced and one of the conditions of grant of subsidy is that approved planting materials recommended by the two Tea Research Stations on the basis of yield and quality are to be used. For Darjeeling gardens, replacements have been allowed under the Scheme. Therefore, it is reasonable to presume that when areas are planted up from high yielding and good quality material, the overall production of such quality tea will increase."

2.11. The Committee pointed out that the economic life of a tea bush is about 40 years and that according to the findings of scientists of Tocklai

Research Station, quality as well as production are affected by the age group of tea bushes. In fact, yield trends start declining after about 25 years from planting. At Darjeeling, according to the data given in the Barooah Committee Report, 51.1 per cent of the area carries bushes over 50 years old and another 33.4 per cent consists of the 21—50 age-group. The production at Darjeeling had fallen from 10,021 tonnes in 1964 to 8,716 tonnes in 1966. The Additional Secretary, Ministry of Foreign Trade stated: "At present the replantation subsidy is available to bushes which are over 50 years. The industry has been pressing that this is unrealistic and we should bring down the limit to 21 years. We have now taken up this matter with the Ministry of Finance and it is now under consideration. If that is accepted, it will accelerate the tempo of replantation."

2.12. At a seminar on Tea organised in June, 1967 under the auspices of the Indian Institute of Foreign Trade, the following views were expressed in regard to the need for product diversification in the interests of promoting exports:

"In order to maintain competitiveness both with regard to other tea producers and also with regard to other beverages, it is essential for Indian tea producers to give thought to and involve themselves in the final product in its various forms to suit the changing tastes of the consumer."

"The bulk of our exports of tea consists of raw material, as it were, which is being processed abroad and sold as finished products in the consuming countries.....We are not earning part of the foreign exchange which would accrue to us if the blending and packing of tea were to be done in the country itself as much as possible."

"Our efforts to increase the exports of blended teas may not be viable in the case of traditional markets like the U.K., who have their own highly developed blending and packing organisations.....Despite these difficulties, the Seminar underlined the necessity to increase progressively the export of blended and packaged tea. While discussing about the problems of packaged tea, it was felt that in view of the high cost of the conventional tea chests, investigations should be made by Tea Board, in consultation with Tea Research Station at Tocklai, into alternative forms of packaging, e.g., polythene bag, cotton caret or laminated hessian etc.....exports to Middle Eastern countries, particularly Sudan, Jordan and Kuwait, indicate the growing demand for package teas."

".....consumption of tea bags has been rapidly going up in many countries and this may be an opportune moment for us to commence the manufacture of tea bags and their exports. In this connection, it was pointed out that even in conservative England, tea-bag sales have been rising at the rate of more than 50 per cent per annum. The advantages mentioned in the case of blended tea exports above, will apply to the exports of tea bags as well. Furthermore, tea-bags are made up mainly of dust grades which at present go almost exclusively to the internal market in India and would thus be diverted to help increase export earnings.'

2.13. The Committee enquired during evidence what efforts were being made to cater to changing tastes in international tea markets. The Additional Secretary, Ministry of Foreign Trade stated: "This is constantly under our examination. Our foreign offices are feeding us with information with regard to changes in consumer preferences."

2.14. It seems to the Committee that if export earnings from tea are to be sustained, if not increased, a number of measures are called for.

2.15. The first and primary need is to encourage the production of quality tea, as our cheap 'filler' teas have been virtually priced out of international markets. The Barooah Committee have pointed out that Kenya has improved her quality to the extent that some of her teas are fetching better prices than Assam teas. The Tea Board has a replanting scheme for replacement of depleted over-aged bushes. This will have to be imaginatively executed. Special consideration in this connection will have to be given to the requirements of the industry in Darjeeling, which is a quality area. Over 50 per cent of the bushes here are over-aged and production has been progressively going down. This should be quickly arrested, by accelerated rate of replantation.

2.16. Secondly, it will be necessary to undertake substantial product diversification. Consumer preferences in some of the sophisticated markets have undergone a change with the increasing popularity of tea bags, instant tea and tea mixes in preference to conventional tea. It is essential that the industry applies its mind to this phenomenon and produces various new forms of tea. This is a matter that calls for research support and the Committee get the impression that a serious beginning is yet to be made. An advantage that would accrue to the country by undertaking the marketing of these products is that these will involve the use of cheaper teas, which are at present consumed indigenously. Their diversion for the manufacture of these products should help to increase export earnings.

2.17. Thirdly, the bulk of our tea exports constitute raw material which is processed and blended abroad. This means that we are forgoing the foreign exchange earnings which would accrue if blending and packing of tea were to be done here to the maximum extent possible. The export of blended and packaged tea should, therefore, be progressively augmented, particularly to developing markets, where the possibility of competition from organised retail market does not exist to the same extent as in the more sophisticated markets.

2.18. Tea promotion falls under two headings, *viz.*, generic promotion and uninternational promotion. Generic promotion is aimed at stepping up the over-all consumption of tea as such. This activity is done through Tea Councils in association with other producing countries and the local Tea Trade. Uninternational promotion is aimed at promoting consumption of Indian tea and is carried out through five Tea Board offices abroad (at U.K., U.A.R., Belgium, Australia and U.S.A.) as well as with the help of Trade Section of Indian Missions, the Director of Exhibitions and the Indian Council of Trade Fairs and Exhibitions.

2.19. The Committee asked for data about expenditure incurred on tea promotion outside India. This has been furnished as under:

	1964-65	1965-66	1966-67	1967-68	1968-69
(Rs. in lakhs)					
Generic . . . .	14.86	40.77	59.05	62.68	58.04
Uninternational . . . .	51.08	44.10	58.14	44.42	54.80
<b>TOTAL . . . .</b>	<b>65.94</b>	<b>84.87</b>	<b>117.19</b>	<b>107.10</b>	<b>112.84</b>

The break-up of expenditure on uninternational promotion has been indicated to the Committee as under:

	1964-65 Rs.	1965-66 Rs.	1966-67 Rs.	1967-68 Rs.	1968-69 Rs.
Expenditure on salaries of staff	6,10,800	7,30,300	9,76,000	10,98,300	11,23,200
Media-advertising	1,07,571	4,78,215	4,30,501	5,84,544	9,09,575
Direct consumer publicity	22,12,938	15,81,728	18,67,926	19,34,912	14,06,241
Merchandising and point-of-sale material	..	..	78,584	3,79,288	80,305*
Market research	..	..	..	..	..
Others	21,76,491	16,19,857	24,60,889	4,44,556	19,61,079
	<b>51,07,800</b>	<b>44,10,100</b>	<b>58,13,900</b>	<b>44,41,600</b>	<b>54,80,400</b>

\*Includes cost of publication materials.

2.20. During the course of evidence, the Committee enquired what the views of Government were on the recommendation of the Barooah Committee that 2 per cent of export earnings should be earmarked for tea promotion campaigns. The Additional Secretary, Ministry of Foreign Trade replied: "We are examining this recommendation whether it would be necessary to appropriate a specific percentage. Sometimes it may be adequate; sometimes it may be not. But promotional activities which are justifiably necessary are not starved of funds."

2.21. The Barooah Committee, which reviewed the progress made on generic campaigns, made the following observations:

"The generic campaign in the Federal Republic of Germany has been *per capita* and total consumption of tea in the country concerned. The campaigns have usually been so designed as to help to increase the overall market for tea but not necessarily the market for teas from producing countries who are members of the Councils. An obvious corollary to this is that where feasible, generic promotion should be followed by our uninational promotion."

"An indirect benefit resulting from promotion undertaken jointly with the trade is that it helps us in establishing valuable contacts with the trade. We find that the *per capita* consumption of tea in the U.S.A. has shown a significant increase, though India's share in the market has steadily gone down."

"The generic campaign in the Federal Republic of Germany has been effective both in regard to *per capita* consumption of tea and also increasing India's exports. Although only recently started, the campaign in France is also having some impact though the total base of the market there is very small. The biggest joint promotion campaign was launched in the United Kingdom in 1965. There are indications available that the decline in *per capita* consumption of tea in the U.K. is being arrested. To this extent, the campaign has been successful but the share of Indian tea has not gone up. In the long term this campaign will be useful because if this biggest market for tea were to contract, every one would be adversely affected."

"The generic promotion campaign in Australia has so far not made any significant impact and the one in New Zealand is too recent to be judged. The generic promotion in Canada does not satisfy the criteria of success mentioned above excepting in terms of contracts with the trade. They have recently got additional funds and are starting a new programme of promotion which should make the campaign more effective."

"We suggest that independent surveys should be conducted jointly with other producing countries and with the help of the trade in these markets to assess the effectiveness of generic promotion and whether the present structure of the Councils is the one best suited for the purpose. We do consider that in markets where consumption is high or potentially high and the teas are marketed in proprietary blends and the distribution trade is highly organised, we should carry out generic promotion to expand the market in addition to uninternational promotion suited to the requirements of the individual markets."

"The only producing countries who have undertaken tea promotion in recent years to any significant extent have been India and Ceylon. Indonesia earlier contributed to the Tea Councils, and some East African countries have made comparatively small contributions to a few Tea Councils in recent years."

2.22. The Committee asked for details of outlay over the last three years ending 1968-69 on the overseas Tea Board Offices. The data furnished on this point is reproduced below:

	1966-67	1967-68	1968-69
	Rs.	Rs.	Rs.
U.K.	23,24,801	10,19,598	14,55,261
U.A.R.	4,66,672	2,20,124	3,14,407
Belgium (Western Europe)	9,03,665	11,05,650	13,56,830
Australia	12,37,397	9,78,148	11,49,340
U.S.A.	4,57,511	2,20,118	3,14,406

2.23. During evidence, the Committee enquired whether expenditure on this scale on overseas offices was justified. The Chairman, Tea Board stated: "If you ask for absolute figures, of course, it will not be possible to justify. We should put it this way. We have one office at Cairo. Middle-East is the second largest market for Indian tea. Cairo office can claim some credit for making Indian tea known all over the Middle-East. The U.A.R. and the Sudan are used to Indian tea. In other Middle-East countries such as Iraq, Indian tea is now getting popular and we are claiming some credit for the Cairo office. In Western Europe all black tea was known as Ceylon tea. Through the efforts of our Brussels office we have been able to put 10 or 12 packets which are purely Indian tea in the Western European market. We have been able to secure sale over the next five years of Tata Finlays instant tea through the help of our New York office which is a very small public relations office only. Australian tea market was completely dominated by Ceylon and during the last five or six years India has been able to get a foothold in Australia through the efforts of our Sydney office."

2.24. Over the last five years ending 1968-69, a sum of Rs. 4.88 crores has been spent on tea promotion campaigns abroad. Considering the dismal record of Indian tea exports to which a reference has been made earlier in this Report, the Committee cannot help feeling that this expenditure has largely failed to serve its purpose. The Barooah Committee, which reviewed the position in this regard, pointed out that neither in U.K., India's principal market, nor in U.S.A. was Indian tea successful in taking advantage of increased consumption of tea that was fostered by 'generic' campaigns: on the contrary, the Indian share of the tea sales in these markets went down. On the other hand, Kenya which "has made comparatively small contributions to a few Tea Councils in recent years" has been able to consolidate its position in almost all the markets at the expense of its competitors.

2.25. The Committee feel that Government should conduct an appraisal of the utility of the 'generic' campaigns to see whether these are not over-emphasised to the detriment of 'uni-national' campaigns. If at all the 'generic' campaigns have succeeded, they have succeeded in creating a market for tea which India's competitors have been able to capture, except in countries to which India's exports are not, in any case, very significant. It might be argued that these 'generic' campaigns, which are conducted in collaboration with the trade and other producers, create good-will with trade in those countries. The same purpose could possibly be equally well served by directing 'uni-national' campaigns towards trade, apart from consumers, packers, distributors etc. As such 'uni-national' campaigns directly promote the cause of Indian tea (and not tea generally), their results will also directly be to the country's advantage.

2.26. One aspect of the 'uni-national' campaigns conducted by the Tea Board needs mention. The bulk of the expenditure on these campaigns was accounted for by the outlay on the Tea Board's overseas offices at U.K., U.A.R., Belgium, Australia and U.S.A. In fact, out of Rs. 1.57 crores spent on 'uni-national' campaigns during the last three years ending 1968-69, the outlay on these offices accounted for Rs. 1.34 crores. These offices no doubt carried on publicity through media-advertising and consumer publicity (which was included in their outlay), but the Committee feel that the maintenance of these offices with attendant expenditure on staff and rent of buildings etc. eats into the meagre resources available for direct publicity. The data furnished to the Committee shows that, in fact, between one-fourth to one-sixth of the outlay on promotion campaigns was on account of staff salaries. The Committee would in this context like to make the following suggestions:

- (i) All the Indian Missions overseas have generally a commercial Secretary, who is responsible in the course of his work to the Ministry of Foreign Trade. These Missions are already

attending to the work of tea promotion in countries, where there are no overseas Tea Board offices. It should be considered by Government whether, by suitable arrangements, the work in the other five countries could also be similarly transferred. The Committee appreciate the need for ensuring that existing markets in these countries are not lost, but there is no particular reason to suppose that the maintenance of overseas office is going to help. What is called for in the circumstances is an imaginative campaign for publicity, with the help of expert advertising and public relations agencies in these countries. The responsibility for initiating such campaigns could devolve on the overseas missions, acting in collaboration with the Tea Board for this purpose. Once these campaigns are started, these should be sustained by a continuing effort so as to convert the consumers and retain their patronage. The Tea Board should also profit by the experience of organisations like Air India which ensure good publicity overseas by frequent changes in the theme of posters with new significance which sustain the interest of the viewers.

- (f) There is no involvement by trade in export promotion campaigns now being conducted. This should progressively be secured: in fact, as exports of packaged tea become more and more popular, the trade should be encouraged to take over the publicity work from the Board. Ultimately it will be the seller who will know best how to advertise.

## III

## OVERSEAS TEA CENTRES

3.1. The Committee asked for data about the expenditure and receipts of the overseas Tea Centres at London, Edinburgh, Sydney and Cairo. The information given on this point is tabulated below:—

	1966-67	1967-68	1968-69
	Rs.	Rs.	Rs.
(a) London Expenditure	16,93,410	17,53,350	14,29,045
Receipt	9,23,155	8,91,130	8,41,824
(b) Edinburgh Expenditure	4,11,569	4,14,556	3,75,705
Receipt	3,37,035	3,48,452	2,89,510
(c) Sydney Expenditure	9,85,221	10,55,290	10,38,974
Receipt	8,40,432	11,17,231	10,47,829
(d) Cairo Expenditure	3,16,060	2,91,517	2,98,103
Receipt	8,40,432	11,17,231	10,47,829

During evidence the Committee were informed by the Chairman, Tea Board that "Sydney and Cairo are running on profit. I cannot claim great success for our London Office." In reply to a further question whether the reasons for excess expenditure in the case of the London and Edinburgh Tea Centres had been studied, it has been stated in a note:

"So far as the receipts and expenditure of the Tea Centres at Cairo and Sydney are concerned . . . the receipts of these Tea Centres exceed the expenditure since the last two years. Obviously no study is necessary to ascertain the reason for excess expenditure in respect of these units. The Tea Centre in London is located in a busy and fashionable shopping centre at Oxford Street, London. This Tea Centre started functioning from November, 1963 as part of the Board's promotional activities in the U.K. It was already known at the time of selecting the site of the Tea Centre in a very costly area that the Tea Centre, London, would have a

deficit of substantial amount annually. Ceylon had established a number of Tea Centres in London which were mainly intended for prestige promotion of their tea. Likewise, the purpose of our London Tea Centre is basically aimed at promoting the image of Indian tea directly among the housewives and since the Centre was established in a fashionable and costly area there was obviously a shift in the emphasis on the quality and prestige of the clientele. This being the position the expenditure was high and sales were low. It was never the intention to run the Tea Centres on a commercial basis and as such the difference between receipts and expenditure of the Tea Centre should not be viewed as loss. The deficit is treated as net expenditure on tea promotion in the U.K. as will be seen from the budget estimates sanctioned by the Government. If, however, the correct amount of deficit of the Tea Centre is still to be ascertained, it will be first necessary to tax out the expenditure on promotion. Nevertheless, the possibilities are being explored with a view to reducing the gap between receipts and expenditure of the Tea Centre, London. A proposal has been sent to the Government either for closing down the unit or to move the Tea Centre to another premises in a less costly area. The same arguments apply, mutatis mutandis, to the Tea Centre, Edinburgh. The net expenditure is to be considered as an expenditure on promotion and the publicity value derived justifies the expenditure. According to the lease agreement, the landlord will pay £6,000 if the premises can be vacated by 16th May, 1970, i.e., one year before the expiry of the current lease. Accordingly, notice is being served."

3.2. At the Tea Seminar, the following views were expressed about the utility of overseas Tea Centres:—

"Regarding the utilisation of different media for promotional activities, the consensus of opinion was that the utility of 'Tea Centres', set up by the Tea Board in foreign countries, is rather limited as they could reach only a small percentage of the people. If these are to be successful they will not only have to be set up on a much wider scale but also will have to be operated on a satisfactory commercial basis. On balance, it was felt that the major emphasis on promotion should be through the established advertising media in the country, notably television and press."

3.3. The Barooah Committee, which considered this question, made the following observations:—

"....we think that the utility of Tea Centres would depend on conditions obtaining in the different countries. In countries which are not traditionally tea drinking ones, or where varieties of Indian tea have to be introduced, these can be useful cen-

tres for sampling. They also provide excellent opportunities for public relations activities directed towards specific groups. The nett expenditure to be incurred on these should, however, be related to their overall value in promotional schemes, but we think that, if they are established after proper examination it should be possible to break even or incur a minimum expenditure in running these centres."

3.4. The Committee feel that overseas Tea Centres, while providing an opportunity to overseas consumers for sampling of tea, have a limited scope for the propagation of Indian tea. As pointed out at the Tea Seminar, they are capable of reaching only a very small percentage of overseas consumers. A chain of tea centres to reach a larger section of the consuming public may not be feasible particularly as overseas markets are vast and far-flung. For these reasons, the Committee feel that the stress in overseas tea promotion should be on other advertising media.

3.5. The Committee note that the Tea Centres at London and Edinburgh have been continuously running at a loss. During the last three years ending 1968-69, these two centres have run up a deficit of Rs. 24.47 lakhs : their takings have also progressively been coming down. The Committee see no particular reason why these centres should continue, particularly, as in U.K., as pointed out in an earlier Section of this Report the scope for augmenting tea consumption is limited. The Tea Board themselves would appear to be entertaining doubts about the need for these centres. The Committee would like Government to come to an early decision about closing these centres.

3.6. The Committee would also like to stress that where tea centres are run overseas, they should be run not in established markets but in emerging markets in developing countries which present real potential.

## IV

### PRODUCTION OF TEA IN INDIA

4.1. The Committee drew attention to the observations in the Borooh Committee Report about the average annual rate of growth in the Tea Industry being 1.7 per cent against the world average of 3 per cent. The Committee enquired what steps had been taken to reach the target of 460 million Kgs. of production set by the Tea Board for 1973-74. The Chairman, Tea Board stated: "The target mentioned in the Borooh Committee report was discussed thoroughly with the large tea planters. We are confident that we shall be able to reach this target. In the current year, because of the three week strike at the height of the season in North Bengal, the target of 405 million Kgs. may not be reached, but we are confident of reaching next year's target of 415 million Kgs. In South India, they have been using fertilisers and better methods of cultivation for quite some time and they have reached near about the optimum production. The increase in production will not be much there, but in North India, use of fertilisers has been introduced only recently and there will be some increase in tea production there. We have also got schemes like hire purchase scheme for machinery, etc. Since October, 1968, Government have also introduced the replantation subsidy scheme. I am sure that a target of 3 per cent average increase in production for the next 7 or 8 years will not be out of reach.

4.2. The Committee enquired about the damage to crops by pests. They were informed that "according to Tea Research Association's estimate roughly 10 per cent of the potential tea crop in North East India is lost annually by pests and diseases". The Committee drew attention to the observation made by the Borooh Committee about the difficulty experienced by the industry in getting pesticides and weedicides and enquired to what extent these were imported. The following position has been indicated in a Statement furnished to the Committee.

#### Pesticides

#### Demands

Licensing period	<i>In litres</i>			
	Tedion	Kelthane	Telodrine	Morocide
1966-67	61,693	59,753	..	..
1967-68	59,753	100,319	..	..
1968-69	106,483	52,596	7,420	17,032
		<i>Imports</i>		
1966-67	49,000	55,000*	2.5	..
	Litres	Litres	Tonnes	
1967-68	59,000	..	5	60,000
	Litres		Tonnes	Litres

\*(25,000 litres M.F. to the C.I.F. value Rs. 5.73 lakhs were also imported).

4.3 As to steps taken for indigenous production, it has been stated that "licences have been issued for import of pesticides in technical forms and then to formulate in the country". In regard to weedicides it has been stated that "since weedicides are not available indigenously, applications for import of weedicides are sponsored by Tea Board". The dates regarding applications sponsored and imports made has been given as under:—

1966-67	1967-68	1968-69
445 applications valued 72,78,850	636 applications valued 8,08,203.56	328 applications valued 53,73,910

4.4. During evidence, it was stated that 'Gramaxone' is being used as a weedicide. This is a patented product, made by an overseas firm. Asked whether it was not necessary to establish indigenous production of weedicides, if necessary by conducting research on this point through CSIR, the Additional Secretary, Ministry of Foreign Trade stated: "We shall take note of it and we will make a reference (to CSIR)". In a note on this point it has been stated that a private company "are reported to have been granted an industrial licence for manufacturing gramaxone. At present there is no substitute for gramaxone".

4.5. The Committee enquired to what extent the increased requirements of cereal production in the country has impinged upon the area available for tea production. The Chairman, Tea Board replied: "In North Bengal and South India, practically no extra land is available for tea. But so far as Assam is concerned, there is no dearth of land. Most of the plantations in Assam have still land which is suitable for tea cultivation". The Borooh Committee made the following recommendations on this subject :

"Taking into consideration the difficulties faced by the industry because of Government enactments and in view of our recommendation in regard to the necessity for undertaking extensions of plantings to achieve the Plan targets laid down by Government and the need for replacement to increase foreign exchange earnings of the country, the Committee recommends that the following measures should be taken by Government:—

- (i) The Central Government should take steps to convene a conference of all representatives of tea producing State Governments to frame a well considered policy in regard to land required for expanding tea production. Where land is proposed to be resumed by the State Governments concerned, the Tea Board should be taken into consultation.

- (ii) The principles underlying all resumption of land should be such as to ensure that tea estates should have enough land available for extensions and for other ancillary purpose for their viability and protection. Land within an estate should in no case be taken over as the integrity of estates must at all costs be maintained.
- (iii) Where tea estates have insufficient land for extensions, State Governments should make new grants of land suitable for tea, which are available to it, to the estate if such land is in its vicinity.
- (iv) The existing control over the utilisation of land within the grants should be reviewed sympathetically by State Governments and tea gardens should be granted permission to manage the land (under grants made many years ago) in the context of the changed circumstances obtaining today.
- (v) In the Nilgiris district, in Madras State and in such other areas where quality tea can be produced, development should not suffer due to general policy on land or forest. On the contrary, development and expansion, where it is advantageous, should be allowed by preserving suitable land whether already in the possession of the plantations or in Government reserves in the vicinity, from land distribution.
- (vi) Similarly, forest management or preservation laws should not be extended to private forests, plantations, or grants to affect the normal shade regulation measures or where bonafide extension or replacement is undertaken and the clearance of forest is necessary within the grant".

4.6. The Committee enquired whether a survey by the Tea Board carried out in 1965, had disclosed that 171 estates in North-East India (16 per cent of industry), were uneconomic. In a note on this point, it has been stated:

"No on-the-spot survey was carried out by the Board for collecting information about the number and acreage of economically weak tea gardens. The list of such gardens was compiled on the basis of information obtained from the Producers' Associations in North-East India. The position in this respect is explained below."

"The Tea Board decided in the year to collect some preliminary information regarding the number and acreage of economically weak tea gardens in different region. The tentative criteria

laid down for selecting economically weak gardens were as follows:—

- (i) Little or no profit for the last five years.
- (ii) Major portion of the tea is overaged and requires replantation.
- (iii) Factory building and machinery mostly old and obsolete.
- (iv) Yield and sale price much below the district average.

A circular was issued to all Tea Producers' Associations in North and South India requesting them to furnish lists of economically weak gardens under their membership, selected on the basis of the criteria mentioned above. Replies were received from 6 Associations in North-East India (I.T.A., T.A.I., I.T.P.A., B.C.P., A.T.P.A. and S.V.I.T.P.A.) and according to information obtained from them the number and acreage of economically weak gardens under their membership were as follows:—

Name of Association	No. of Eco-nomically weak gardens	District	Total area (hectares)
I.T.A.	38 23 7 21 2 <hr/> 91	Assam Valley Cachar Dooars Darjeeling Terai	27,628.72
T.A.I.	7 3 1 1 <hr/> 12+2	Cachar Assam Darjeeling Dooars (including under I.T.A.)	2,929.55
I.T.P.A.	11 2 8 <hr/> 21	Dooars Assam Darjeeling	4,419.70
B.C.P.	2	Assam	86.39
A.T.P.A.	3 39 <hr/> 42+1	Cachar Assam (included under B.C.P.)	4,352.55
S.V.I.T.P.A.	2 1 <hr/> 3 <hr/> 171	Cachar Tripura	283.50 <hr/> 39,700.41

4.7. The Board has launched Plantation Finance & Machinery Hire Purchase Schemes and liberal criteria are adopted in granting these loans. Even a second charge on property hypothecated with Banks is accepted for Plantation Finance loan Scheme and for Hire Purchase of machinery, capacity to pay back instalments which are a small fraction of the value is taken into account. The replantation subsidy scheme introduced in October, 1968 can be availed of by all gardens."

4.8. The Committee enquired what had been done to ameliorate the lot of uneconomic growers of tea owing small areas in Kangra, Mandi and Nilgiris. The Additional Secretary, Ministry of Foreign Trade stated: "The main difficulty has been the very poor realisation by the small growers for their green leaf. We have, to some extent, dealt with this problem successfully in South India and we are now trying to extend the scheme to other areas like Kangra. In South India, we evolved five years back a scheme for giving financial assistance for setting up cooperative tea factories. We gave them fertiliser subsidy. Now they are able to get 75 paise for their green leaf as against 25 paise previously. The quality is good and at the Cochin auction, they are getting a good price. One or two tea factories have also returned the loans they took". The Committee pointed out that when a Study Group of Public Accounts Committee visited some of these Tea Plantations in Nilgiris, they were given to understand that there was scope for organising more cooperatives. The witness replied: "Accually 4 or 5 proposals are with us. We are awaiting the clearance from the Ministry of Finance. That will be cleared in the course of a month or so. We have made the necessary provision in the budget. It is only a question of issuing a sanction. We have got some proposals which came only a month or so back".

4.9. The Committee asked what steps had been taken to encourage production of green tea, which appeared to have a demand in the Middle East. The Chairman, Tea Board stated:

"Green tea is produced by a slightly different process/than ordinary black tea. Black tea is black because the enzyme contained in the tea leaf ferments and this makes it black. For making green tea, we try to kill the enzyme. The green leaf is dipped into boiling water which kills the enzymes and thereafter it is processed in the ordinary manner. Since most of the enzymes are already killed, the colour does not turn black but remains mainly greenish. There is not much difference between the two except for this different processing. The enzymes are killed either by passing steam as in the case of the Japanese method or by dipping it in hot water as in the case of North African and Afghanistan tea."

We have been producing 3,000-4,000 tonnes of green tea throughout the year. This used to go to Afghanistan. Some of it was being con-

sunmed mainly in **Kashmir Valley**. It is mostly produced in North Bengal, Kangra, Dehra Dun. It was traded through Amritsar. Recently Afghanistan is slowly changing over to black tea. Therefore, we have been anxious about our sale of green tea. Another very big market for this quality of green tea, which is not a very good quality, is North Africa. **Morocco** consumes 15,000 tonnes of green Tea. **Algeria** is also a consumer. But **Morocco** offers the most promising market. They have been buying green tea from Taiwan and Red China. They are anxious to buy some green tea from us. Their process is slightly different. We have now learnt that process. In 1969, we supplied them about 1,000 tonnes of green tea; we expect to supply in another one or two years about 5,000 tonnes to **Morocco**. This **Morocco** tea can be produced from **Assam**’  
jat which is grown all over Assam and North Bengal.”

4.10. The Committee pointed out that production of green tea was going down. It was 6,650 tonnes in 1966, 5117 tonnes in 1967 and 5,133 tonnes in 1968. The Chairman, Tea Board stated that “production is determined by demand. Now that we have demand in **Morocco**, it will go up”. In a note explaining the steps taken for production of green tea, the Committee have been apprised of the following position:

“During the past one and a half years the Tea Board has been actively negotiating with the Indian producers as well as the buyers in **Morocco** in regard to the prospects of producing in larger quantities the types of green tea preferred in the **Moroccan** markets. Preliminary investigations seem to confirm that much of the inability of the green tea producers to manufacture the right type of tea is due to lack of know-how and non-availability of suitable machinery. The steps that have so far been taken by the Board to encourage and assist the producers in producing green tea for export to the new destinations are as follows:—

- (a) Data on the methods of manufacture of green tea as adopted in China, Formosa and Japan have been collected and furnished to the interested tea producers along with samples of green teas of Chinese, Formosan and Japanese origin;
- (b) the producers have been and are being put in touch with the buyers abroad and their agents;
- (c) the producers are being advised about the availability of machines suitable for the manufacture of various types of green tea;

- (d) wherever necessary, applications for import of essential items of machinery for production of green tea are being ~~considered~~.
- (e) the Scientific Department of the UPASI is being encouraged to take on research on production of both quality tea and green tea in South India.

4.11. In addition to the above measures taken by the Board, the excise duty on green tea has been reduced on the Board's recommendation.

4.12. The Committee would like the Tea Board to keep tea production in the country under continuous watch to ensure that the target of 460 million Kgs. by 1973-74 is achieved. In any scheme for additional production, the demands for production of quality teas, must receive priority as earlier suggested by the Committee. Green tea is another item for which markets are emerging in the Middle East and some other countries. Since the type of tea required for producing green tea, which is in demand in Morocco and Algeria is available in abundance in Assam, North Bengal, Kangra and Himachal Pradesh the Tea Board should make available to the planters the necessary process and machinery to manufacture green Tea. To master the process, if necessary, arrangements should be made to train one or more persons in Japan or some other country producing superior type of green tea.

4.13. Pests are at present causing an estimated annual loss of 10 per cent of the crop. The data furnished to the Committee indicates that the main formulations for pesticides are being imported. In respect of weedicides also, the country is dependent on one patented imported product. The question of development of adequate indigenous substitutes must be pursued by Government, in consultation with C.S.I.R. or the Tea Research Associations.

4.14. The Committee note that there is some difficulty in obtaining additional land that the gardens require for tea production. This is a question which will have to be decided by Government of India in collaboration with State Government, on a scheme of clear cut priorities, after taking note of the need for augmenting cereal production.

4.15. The Committee note that a preliminary survey by the Tea Board has revealed that about 16 per cent of the bigger estates are uneconomic. The matter needs closer study, particularly in areas where quality tea is being produced. A selective liberalisation of the terms of the various Plantation Finance Schemes in favour of these areas might merit the closer attention of Government.

4.16 Special steps would have to be taken by Government to ameliorate the lot of small tea growers in Nilgiris, Mandi and Kangra. The Committee note that the organisation of cooperatives in Nilgiris has helped to better the situation and that the establishment of some more cooperatives is under way. In the light of this experience, the Committee would like Government to consider the organisation of cooperatives in other areas also. Adequate guidance should be given to these cooperatives so that they could function as viable units.

SCHEMES FOR FINANCIAL ASSISTANCE OPERATED BY TEA BOARD

(a) Tea Plantation Finance Scheme.

*Audit Paragraph:*

5.1. The Tea Plantation Finance Scheme (accounts of which are being maintained separately, was approved by the Government of India in June, 1962 for advancing long term loans to tea estates for replanting, replacement and/or extension of old tea areas. The scheme provided for Rs. 5 crores (reduced to Rs. 4.60 crores in February, 1967 by Government) to be placed at the disposal of the Board for being utilised as a revolving fund for the purpose. The drawals by the Board during each financial years are treated as loans granted on 1st October of that year, bearing 5½ per cent interest (penal rate of 2½ per cent over and above the normal rate in case of default in payment of interest), repayable after 15 years. The loans drawn from the Government of India and advanced to tea estates by the Board up to 31st March, 1968 were Rs. 3.11 crores and Rs. 3.08 crores respectively.

(Para 2, Audit Report on the accounts of Tea Board 1967-68)

5.2. The Committee asked for data about the allotment of funds made for the Tea Plantation Finance Scheme year-wise from inception to end of 1968-69, as also their disbursements. The data furnished is summarised below:

Year	Allotment	Disbur- sement	(In lakhs of Rupees)
1962-63	40.00	16.45	
1963-64	79.06	49.92	
1964-65	100.00	62.71	
1965-66	100.00	63.97	
1966-67	62.67	61.74	
1967-68	89.86	63.46	
1968-69	88.65	60.14	

5.3. During evidence, when the Committee drew attention to the delay in disbursement of the loans, the Additional Secretary, Ministry of Foreign Trade, explaining the position, stated:

"I have ascertained the latest position with regard to this. We received 339 applications. Out of these 191 were finally considered not suitable for this grant and after scrutiny they sanctioned 148 applications. 191 were not eligible for this loan and they were rejected. The total amount so far disbursed is Rs. 3.83 crores. This is up to December, 1969. You will see that we are not holding up any application which is otherwise eligible for this loan. There are some applications where some details are required."

5.4. The Committee asked for details of applications pending, which have been given as under:

Applications pending as on 31-3-69 . . . . .					47
Total amount . . . . .					Rs. 217.76 lakhs
<hr/>					
Details of the applications	No.	Amount (Rs. in lakhs)			
Under 3 months . . . . .	8	18.99	Received between 1-12-68 to 31-3-69 opening data awaited from Bank etc. in respect of the company/firms.		
Between 3 months to 6 months . . . . .	31	162.04	Awaiting replies for essential particulars from the garden concerned.		
Over 6 months . . . . .	8	36.73	Ownership to be established and required to be registered with the Controller of Licensing.		

5.5. The Committee wanted to know the area covered by the Tea Plantation Finance Scheme and the area actually extended (replaced/replanted). The data on this point given by Government is summarised below:

Year	Extension		Replacement		Replanting	
	Area covered	Actual achievement	Area covered	Actual achievement	Area covered	Actual achievement
(In hectares)						
1966-67 . . .	1284.07	372.32	..	7.42	147.42	32.38
1967-68 . . .	656.78	952.21	16.00	7.29	121.28	60.18
1968-69 . . .	828.60	672.76	26.00	7.29	147.60	109.90

NOTE :—The planting of new tea on additional land is "extension", the planting on new area in lieu of an area uprooted is called "replacement" and planting of new plants on same soil from which old ones have been removed is termed "replanting".

5.6. As to the reasons for shortfall in achievement, Government have stated that it was "due to natural calamities and the fact that target figures include fresh applications received which may or may not have been sanctioned."

5.7. The Committee pointed out that the Barooah Committee had taken the view that the regulation of the loans with reference to 50 per cent of the total value of assets and average value of crops during the last three years left the weaker section of the industry at a disadvantage. The Additional Secretary, Ministry of Foreign Trade replied: "That is being taken up" and that Government were contemplating liberalisation of the terms. In a note on this point, it has been further stated: "The Barooah Committee's observation was in respect of the calculation of the admissible limit of plantation loans. At present, the aggregate of the Board's loan and the bank's short term loan is not to exceed 50 per cent of the total value of the fixed assets of the applicant company/firm, as per the latest Balance Sheet, and the average value of the crop of the last 3 years. The Barooah Committee considered that if this limit of 50 per cent were raised to 75 per cent, perhaps the weaker sections could avail of the assistance. As has also been pointed out by the Barooah Committee, a proposal for raising the limit to 75 per cent has already been submitted to Government by the Board and their approval is still awaited."

5.8. The Committee asked how it was safeguarded that loans were not availed of only by bigger estates. They asked for particulars of loans given to the estates and the number of these estates under the same management. From the data furnished by Government on this point, the following conclusions emerge:

- (i) 119 estates were sanctioned loans amounting to Rs. 534.02 lakhs upto 31st March, 1969 (actual disbursement Rs. 378.4 lakhs).
- (ii) 61 of these estates were under a managing agency and/or owner having 2 or more estates each. These were sanctioned loans aggregating Rs. 327.74 lakhs.
- (iii) The detailed position of loans availed of by these 61 estates is shown in Appendix. III to this Report. The overall position is as under:

Managing agent and/or owner	No. of estates controlled	Amount (Rs.)
1	7	30,44,227
2	6	32,20,004
3	2	46,41,724

I	2	3
4	3	36,03,451
5	2	8,98,360
6	5	41,24,912
7	2	5,70,762
8	13	45,94,956
9	2	7,50,064
10	2	11,07,484
11	2	2,94,890
12	3	8,61,656
13	2	1,92,618
14	2	12,82,420
15	2	6,16,770
16	2	5,92,000
17	2	8,81,166
18	2	13,96,380

5.9. The Committee enquired whether the Tea Board had been handicapped by the fact that funds provided for this and other schemes were not adequate. The Additional Secretary, Ministry of Foreign Trade stated: "I do not think that want of funds anywhere comes in the way of the schemes being implemented."

5.10. The Committee feel that the administration of the Tea Plantation Scheme needs to be greatly improved.

5.11. In the first place, the screening of applications received from Tea Estates for loans under the scheme has been taking a long time. The data furnished to the Committee shows that 47 applications for loans amounting to Rs. 2.18 crores were pending as on 31st March, 1969. 39 of the applications were pending for over three months and the remaining 8 for over six months. The delay in clearing these applications has resulted in a substantial part of the annual allotment made for the scheme remaining unutilised every year since 1962-63 when the scheme was started. As a corollary, there has also been a shortfall in the realisation of the targets

set for the scheme. Over the three years ending 1968-69, for instance, Tea Gardens could do fresh plantings only on 2,221 acres as against 3,227 acres that should have been covered under the scheme.

5.12. Secondly, the distribution of financial assistance under the scheme has been rather uneven. Up to the end of 1968-69, 119 Estates were sanctioned loans amounting to Rs. 5.34 crores under the scheme. 61 of these Estates were controlled by 18 Managing Agents/Owners, each having two or more Estates. The number of Managing Agents/Owners who controlled five or more Estates was 4 and the Estates under their control, totalling 31, were sanctioned loans amounting to Rs. 1.5 crores. The Committee are not happy that loans under the scheme went to a small minority of Tea Estate interests.

5.13. The Committee would like Government to investigate the working of the scheme to ascertain, with reference to the applications cleared, those kept pending and those rejected, whether the scheme has so far been impartially administered. Necessary corrective action should be taken thereafter. Another point which calls for immediate rectificatory action is that the scheme, at present formulated, has left the weaker section of the industry at a disadvantage. The Borooah Committee had drawn Government's attention to this point and it was stated during evidence that Government were proposing to liberalise the terms of the scheme to remove this anomaly. This should be done expeditiously.

#### (b) Replantation Subsidy Scheme

5.14. The objective of the Replantation Subsidy Scheme have been explained in a note submitted to the Committee as under:—

- (i) In order to assist the tea industry to replant overaged bushes in the tea estates with newly developed planting materials to improve the industry's productivity, efficiency and competitive ability, Government approved of a scheme for grant of subsidy for replantation. Over 30 per cent of the tea bushes in India are over 50 years of age—the average economic life of a bush being 40—50 years. There is no depreciation allowance on plantation allowed as yet in tea industry.
- (ii) The objective of the scheme is to help the industry to achieve a replantation rate of 2 per cent annually of the total area under tea.
- (iii) The subsidy is payable for replanting areas covered with tea bushes which are of or over 50 years age.

- (vi) The quantum of subsidy is only Rs. 3,500 per hectare in the plains and Rs. 4,500 in the hills, which covers a small part of the total cost.
- (v) The replanting is to be done only with planting materials, both seeds and clones, approved by the Tea Board.
- (vi) After uprooting of the tea bushes, rehabilitation of the soil for a minimum period of 9 months is essential. A longer rehabilitation upto 36 months is permissible.
- (vii) The replanted area should have a minimum of 10,000 bushes per hectare but this is subject to limitation of topography etc.
- (viii) Subsidy is paid in 4 instalments in the plains and in 5 in the hills. The scheme lays down a system of inspections before payment of instalments."

5.15. The Committee were informed that the area covered by the Replanting Subsidy Scheme in 1968-69 was 1,763.83 hectares. The Committee enquired what safeguards Government have adopted to prevent misuse of subsidy. In a note it has been stated:

"The Scheme was introduced in October, 1968 and disbursement of 1st instalments for 1968-69 that have been made were based on proper inspection reports certifying that uprooting of tea bushes had in fact been completed within 31st March, 1969. So far no cases of misuse of subsidy have come to light.

Inspections are carried out 2 Inspectors from a Panel of Inspectors appointed by the Tea Board, in the presence of the Manager of the estate concerned. 3 inspections are undertaken the first being after the area in question has been uprooted, the 2nd after the uprooted area has been completely replanted and the 3rd is on completion of one year after replanting i.e. one year after the 2nd inspection. The subsidy is paid in 4 instalments for gardens in the plains and in 5 instalments for gardens in the hills. The Board reserves the right to recall the subsidy paid in cases where terms and conditions of the scheme have not been fully observed. In addition to routine inspections by Inspectors from the Panels, Board's officials are also deputed on occasions to inspect gardens for random checks to ensure that the terms and condi-

tions of the scheme are observed. So far no cases of misuse of funds have been detected."

5.16. As to the achievements of the Scheme, it has been stated: "This scheme was introduced from October, 1968 and since it is obligatory to allow a minimum rehabilitation period of 9 months, it is not possible to indicate achievements at this stage. It will only be possible to judge this after 1970-71."

5.17. The Replantation Subsidy Scheme will provide some incentive to the Tea Industry to replace over-aged bushes on account of which production and quality of tea have suffered. The Committee would, however, like the Tea Board to devise appropriate checks to safeguard against misuse of the assistance under the Scheme. Inspections for purpose of grant of assistance are now conducted by inspectors chosen from a panel, which the Committee understands consists of tea planters. The Committee consider it essential, with a view to safeguarding Government's interests, that knowledgeable officials from the Tea Board should also be associated with the process of inspection.

## VI

### MISCELLANEOUS

#### (a) Internal Tea Centres

##### *Audit Paragraph*

6.1. In para 3 of the Audit Report on the Accounts of the Board for the year 1963-64, mention was made of the four tea centres in the country running at a loss. These centres continued to incur losses during 1964-65 as well, as shown below:—

		Receipts	Expenditure	Loss
Tea, Centre Bombay . . . . .		1,63,579	1,72,573	8,994
Tea Buffet, Udyog Bhavan, New Delhi . .		28,426	76,106	47,680
Tea Bar, Planning Commission, New Delhi .		88,477	1,16,731	28,254
Tea Bar, Parliament House, New Delhi . .		36,390	69,029	32,639

[Paragraph 2 of Audit Report on accounts of Tea Board, 1964-65]

6.2. The Committee enquired whether it was necessary to run these Tea Centres. The Additional Secretary, Ministry of Foreign Trade stated: "We are not sustaining any of these centres for internal promotion. The Bombay one was started as a prestige tea centre where foreigners could have a taste of Indian tea. Subsequently there was a request that it is performing useful functions and we might not order its closure. So far as tea bars in Central Government Offices and Parliament House are concerned, they were opened specifically at the request of the heads of the offices and the Hon. Speaker. They wanted that there should be some place where members and visitors should have the facility of taking tea. We are now trying to economise on the working of these tea bars. I have the working results for 1968-69 and for the first six months of 1969-70. There is a progressive improvement. One of the suggestions we are considering is to see what extent we can convert them into a cooperative organisation of workers who can take over the management, giving some kind of subsidy, just as we have done with some coffee bars."

6.3. The Committee enquired whether, as pointed out by the Barooah Committee, the Tea Board was faced with the problem of providing large field staff with alternative employment. Explaining the position in this respect the witness stated: "The question of under-employment or unemployment arose out of the decision of the Government to discontinue propaganda activities within the country. One thing we propose to do is to use this staff to the extent possible in some of the tea bars and canteens in Parliament House and in Government offices, Bombay Tea Centre, etc. Some of them have already been absorbed in the Tea Board's office. I do not think the problem is so acute."

6.4. The Committee note that all the four tea centres at present being run by the Tea Board in India are sustaining a loss. These bars were opened as part of a tea promotion campaign in the country which has now been stopped. The Committee would like it to be considered whether all or some of these centres could be closed or made over to cooperative organisations of workers, as has been done in the case of coffee houses which were run by the Coffee Board.

6.5. The Committee also note that some staff of the Tea Board rendered redundant as a result of discontinuance of tea propaganda in the country are still to find gainful employment. An expenditure of Rs. 30,000 per annum is being incurred by the Tea Board on their salaries. The Committee would like the Board to take early steps to correct this position.

#### (b) Grants to Educational Institute

##### *Audit Paragraph*

6.6. The Board gives annual grants-in-aid to educational institutions in tea garden areas for construction of hostels on the condition that accommodation after construction would be provided free of rent for certain specified number of wards of the tea garden employees. A test check of the grants paid during the last five years revealed that the number of wards actually admitted was far less than the specified number based on which grants were sanctioned, as would be seen from the following :—

Name of the institutions <sup>1</sup>	Grants paid	Date of completion of hostels	No. of students who should have been accommodated in the hostel	Students actually accommodated in the hostel		
				Year	Number	Shortage %
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Bokakhat Govt. Aided High School, Dist. Sibsagar, Assam.	27,000	February 1963	20	1963 1964 1965 1966	4 Nil 3 3	80% 100% 85% 85%

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Nagrakata Junior High School, Jalpaiguri, West Bengal.	25,000	June, 1964	15	1966 1967	5 5	67% 67%
Charduar High School, Distt. Darrang, Assam.	25,000	1965	20	1965 1966 1967	2 4 4	90% 80% 80%
Florance Swainson Deaf School, Palayamkottai, Madras.	14,000	1966	10	1966-67 1967-68	5 7	50% 30%
Sibsagar College Joyasagar Assam-Annexe for girl students.	35,000	January 1967	15	1967-68	8	47%

[Paragraph 3—Audit Report on accounts of Tea Board, 1967-68.]

6.7. The Committee desired to know the total number of educational institutions assisted by the Tea Board for providing hostel accommodation upto December, 1969. In a statement Government have indicated that 35 educational institutions were given grants. The seats earmarked for the wards of tea garden employees and these actually occupied by such wards were as follows :

Sl. No.	Names with address	No. of seats reserved	Occupied during the years		
			1967	1968	1969
1	2	3	4	5	6
1.	Subhasini Girls' High School, P.O. Mal, Dist. Jalpaiguri . . . . .	40	31	22	16
2.	D.H.S.K. College, Dibrugarh, Assam . . . . .	20	—	—	1
3.	Behali Govt. Aided High School, Gangmauthan, Darrang, Assam . . . . .	20	14	15	10
4.	Bokakhat Govt. Aided High School, Assam. . . . .	20	—	—	2
5.	Matelli High School, Matelli, Dist. Jalpaiguri . . . . .	20	7	3	3
6.	Chengmari Tea Estate High School, Sadhopur, Chengmari, Distt. Jalpaiguri . . . . .	30	30	30	—
7.	Govt. Aided Girls' High School, Silchar, Dist. Cachar, Assam . . . . .	15	11	—	4
8.	Union Academy, Kalchini, Dist. Jalpaiguri . . . . .	23	—	—	4
9.	Raidongea Govt. Aided M.E. School, Motonhat, Assam . . . . .	15	—	15	5

(1)	(2)	(3)	(4)	(5)	(6)
10.	Govt. Aided Higher Secondary Multi-purpose Girls' School, Tezpur, Assam .	15	5	4	6
11.	Shri Shantivijaya Girls' High School, Coonoor, Tamil Nadu . . .	20	—	15	7
12.	Mahadev Agarwalla Govt. Aided High School, Marijan, Assam . . .	24	9	13	13
13.	Krishi Gopalan Silpa Dikshahalya, Dum Dum Cantonment, Calcutta . . .	10	7	—	8
14.	D.C. Barua Girls' College, Jorhat, Assam	17	17	16	16
15.	Borhat Govt. Aided High School, Borhat, Assam . . . .	20	18	16	15
16.	Sibsagar College (boys), Joysagar, Assam . . . .	20	14	20	20
17.	C.S.I. Gell Memorial Girls' High School, Fernhill, Madras . . . .	25	25	25	25
18.	Siliguri Girls' Higher Secondary School, Siliguri, Darjeeling . . . .	30	30	30	30
19.	Charduar High School, Charduar, Assam.	20	4	6	6
20.	Nagrakata Junior High School, Nagrakata, Dt. Jalpaiguri . . . .	15	5	5	5
21.	Fatima Girls' High School, Gudalur, Tamil Nadu. . . . .	20	20	20	20
22.	Fuleswari Girls High School, Sibsagar, Assam . . . . .	20 Building not completed.			
23.	Dibrugarh Cha Mazdoor Kalyan Samaj, Dibrugarh, Assam . . . .	20	20	—	9
24.	Nirmala Girls Jr. High School, Alipurduar Jn., Jalpaiguri . . . .	50	—	59	50
25.	Jalpaiguri Polytechnic Institute, Jalpaiguri	28	25	16	8
26.	Shri Sarguru Sarva Samarasa Sangam, Coonoor, Tamil Nadu . . . .	50	44	50	50
27.	Birpara Higher Secondary (Multi.) School, Birpara, Distt. Jalpaiguri . . .	24	12	22	10
28.	Florence Swainson Deaf School, Palayamkottai, Tamil Nadu . . . .	10	7	5	5
29.	Govt. Aided B.P. Baruva Memorial High School, Sonari, Assam . . . .	40 Building not completed.			
30.	Sibsagar Girls' College, P.O. Joysagar, Assam . . . .	15	8	10	10
31.	J.B. College, Jorhat, Dist. Sibsagar, Assam . . . .	40 Building not completed.			
32.	Duthie High School for Girls' P.O. Nagercoil, Tamil Nadu State . . . .	30	—	—	37
		(Hostel ready from 1969)			

(1)	(2)	(3)	(4)	(5)	(6)
33. C.M.S. College High School, Kottayam, Kerala State	• . . . .	20	Building not completed.		
34. Government of Madras	• . . .	9	9	9	9
35. Rangapara Government Aided High School, P.O. Rangapara, Assam	• . .	19	5	5	—

6.8. As the grants were given to educational institutions in these cases with a view to providing educational amenities to the children tea garden employees, the Committee would not like to pursue these cases further. The Committee would, however, like to point out that in as many as 13 out of 35 cases, where the institutes were given grants to build hostels to provide reserved accommodation for children of tea garden employees, not a single reserved seat was utilised. The Committee would like the Tea Board to investigate why the facility provided at the institutions to children of tea garden employees remain unutilised. This points to the need for greater care in screening proposals for these grants in future.

(c) Delay in obtaining refund of unutilised loans.

*Audit Paragraph*

6.9. In December, 1964, the Government of India approved a scheme for the development of Small Growers' Tea Estate in Nilgiris to be implemented from the Board's funds. Under this scheme, a loan of Rs. 5.60 lakhs was paid to the Madras State Industrial Bank during June, 1965. The loan was to be treated as a revolving fund and was to be repayable in full after 3 years, with interest at  $2\frac{1}{2}$  per cent per annum. In November, 1965, intimation was received from the Bank regarding the non-utilisation of the entire loan, consequent on which a sum of Rs. 5.00 lakhs was withdrawn from the Bank only in March, 1966 after a lapse of nearly 9 months; for this period, the Bank allowed to the Board interest at  $2\frac{1}{2}$  per cent per annum. The balance amount of Rs. 0.60 lakh is still held with the Bank (March, 1967).

6.10. The exact requirement of funds was apparently not ascertained before releasing the loan to the Bank in May, 1965.

[Paragraph 2 of Audit Report on accounts of Tea Board, 1965-66].

6.11. The Committee pointed out that Rs. 5.60 lakhs were paid by the Board to the Madras State Industrial Bank in June, 1965 for disbursement to Small Growers of tea for purchase of pesticides but the entire amount could not be distributed. The Committee enquired why the loans could not be distributed in full. The Additional Secretary, Department of Foreign Trade stated that the loan scheme which was drawn up by

Madras Government included loan for setting up of tea factory, for procurement of fertilizers and also a scheme for loan of pesticides. The Co-operative Societies availed of the loans for setting up of factories and buying fertilisers only and did not utilise any amount for pesticides. Hence, there was a balance amount of Rs. 5.60 lakhs unutilised on this account.

6.12. Asked why there was a delay of 4 months in getting back the amount of Rs. 5 lakhs, it was stated that the Board was expecting the societies to avail of this amount fully and later it was noticed and they had not drawn this finance at all. As regards the balance of Rs. 0.60 lakh, the witness stated that they were kept in deposits and subsequently an amount of Rs. 35,000 out of this had been approved for the staff subsidy scheme.

6.13. The Committee feel that the requirements of co-operative tea societies were not properly assessed before releasing funds to the bank for grant of loans to the societies. A sum of Rs. 5.6 lakhs representing provision for pesticides remained completely unutilised by the societies and it took nearly 9 months for the Board to withdraw this unutilised amount from the bank. The Committee trust cases of this type will not recur.

**(d) Delay in obtaining refund of welfare grants.**

*Audit Paragraph*

6.14

Name of the State	Amount due for refund (in lakhs of Rs.)	Purpose for which grants had been given	Period during which grants had been given
Assam	0.28	Establishment/improvement of labour welfare centres, stipends to trainees in social welfare institutes etc.	1951-52 and 1955-56
West Bengal	1.03	Purchase of equipment construction of Welfare Centres and garages for using mobile cinema vans.	1955-56 to 1957-58
Kerala	0.23	Setting up of vocational training schools, etc.	1951-52 1955-56
Madras	0.15	Establishment of Demonstration-cum-training centre/tailoring centre etc.	1951-52 and 1955-56
U.P., Punjab and Tripura	0.03	Providing recreational facilities to labour, etc.	1951-52, 1954-55, 1955-56.
<b>TOTAL</b>	<b>1.72</b>		

6.15. The Committee enquired whether any action was taken to get back the unspent balances out of welfare grants paid to the State Governments, although the grants related to a period more than ten years ago. The Ministry have stated in a note that the Board, at its meeting held on 15th December, 1961, decided that the unspent balances after 31st March, 1963 should be refunded to the Board. The State Governments were reminded about it at regular intervals. Then the matter was referred to the Ministry and Government of India took up the matter direct with the defaulting State Governments. On many occasions the Board's officials drew attention of the members who were representing the State Governments in the Board during the meeting of the Board and its Standing Committee.

6.16. The following were the State Governments by whom the amounts were still to be refunded :

State Government	Amount still to be refunded
West Bengal	Rs. 35,454
Kerala	19,025
Madras	2,070.23
Andhra	12,600
Uttar Pradesh Punjab Tripura	973.14

6.17. The Committee would like Government to take suitable steps to ensure that the State Governments refund immediately unspent balances of welfare grants amounting to Rs. 70,122, which have been retained by them for about 10 years.

ATAL BIHARI VAJPAYEE,

*Chairman.*

NEW DELHI;

April 16, 1970.

Chaitra 26, 1892(S).

Public Accounts Committee.

**APPENDIX I**  
*Quantity of tea sold at London Auction together with indices.*

[Ref : See Para 1-6 of the Report]

(Av. of 1953 to 1955 = 100).

Year	North India		South India		Africa	
	Qty. in th.	Kg. Index	Qty. In th.	Kg. Index	Qty. In th.	Kg. Index
1953 . .	84,998 (7/9)	AV-77,095	11,514 (7/7)	AV-11,654	7,007 (7/2)	AV-8,261
1954 . .	74,688 (11/9)	100	11,142 (11/5)	100	6,955 (10/6)	100
1955 . .	71,599 (11/9)		12,305 (9/11)		10,280 (8/3)	
1956 . .	69,502 (11/2)	90	11,963 (9/4)	103	16,037 (7/0)	194
1957 . .	73,593 (10/6)	95	14,280 (8/3)	123	12,968 (7/0)	205
1958 . .	65,828 (10/10)	85	17,631 (8/5)	151	15,238 (7/6)	184
1959 . .	83,448 (10/8)	108	15,345 (8/1)	132	19,246 (7/0)	233
1960 . .	59,943 (10/10)	78	16,852 (8/10)	145	19,638 (7/11)	238
1961 . .	75,702 (10/3)	98	15,627 (8/5)	134	18,948 (7/11)	229
1962 . .	67,605 (11/2)	88	17,402 (8/1)	149	24,390 (7/2)	295
1963 . .	73,223 (10/3)	95	17,294 (7/11)	148	20,433 (7/2)	247
1964 . .	75,274 (10/1)	98	11,398 (8/5)	98	20,568 (7/4)	149
1965 . .	73,725 (9/7)	96	12,307 (8/3)	106	17,246 (8/1)	210
1966 . .	65,625 (9/7)	85	8,828 (7/6)	76	26,967 (7/9)	326
1967 . .	52,024 (9/11)	67	5,277 (7/9)	45	26,067 (7/6)	316
1968 . .	60,664 (9/0)	79	6,621 (7/9)	57	34,148 (8/1)	413
1969 . .	61,471 (8/3)	80	4,608 (6/4)	40	37,276 (7/2)	451

N.B.—Figures in the bracket indicates the price per kg. in s/d.

APPENDIX II

(Ref. See Para 2-3 of the Report)

(Figures in thousand kg.)

Countries of Destination	†1938	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Belgium	50	71	113	82	73	125	73	63	85	101	85	223
British West Indies	46	240	226	229	191	183	192	187	194	242	254	197
Canada	640	403	839	640	638	548	553	416	305	512	363	591
Denmark	225	139	168	149	137	197	144	113	191	169	163	202
Egypt	45	②	②	②	②	1	1	..	..	1	0	0
Finland	*	55	86	163	101	80	80	115	117	93	7	106
Germany Western	3294	702	864	623	698	760	480	509	572	311	291	384
Ireland	6627	1	②	..	8	②	2	②	62	0	2	10
Netherlands	300	628	521	345	307	541	412	358	418	248	137	256
Norway	17	80	94	129	104	140	128	138	133	102	99	130
Sweden	69	301	393	384	412	454	390	467	510	408	469	525
Switzerland	68	54	68	76	88	98	101	113	117	96	106	118

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
U.S.A. . . .	1817	1125	2320	1739	1805	2082	1172	1091	955	1278	678	1035
Other Countries . . .	3085	1548	1180	1108	1109	1046	1177	1538	1856	1821	1914	1035
<b>TOTAL</b> . .	<b>16,283</b>	<b>5347</b>	<b>6872</b>	<b>5667</b>	<b>5671</b>	<b>6255</b>	<b>4905</b>	<b>5108</b>	<b>5515</b>	<b>5382</b>	<b>4631</b>	<b>6469</b>

*Note* :—†Figures of undivided India.

@@Below 500 kg.

\*Included in other Commonwealth countries.

*Source* : Based on the returns received from the Indian High Commission, London.

### APPENDIX III

*Statement showing the estates which have availed of loans, under the same management at the time loan was sanctioned.*

[Ref: See Para 5-8 of the Report]

Sl. No.	Name of the tea estates	Under same Managing Agency or Group	Amount
			Rs.
1	Dejoo Valley T.E.	.	
2	Baghmari	„	
3	Teloijan	„	
4	Ranicherra	„	M/s.
5	Margaret's Hope	„	
6	Amluckie	„	
7	Bormahjan	„	
1	Tumsong	T.E.	.
2	Beech	„	
3	Bharnobari	„	
4	Satali	„	M/s.
5	New Chumta	„	
6	Huldibari	„	
1	Towkok	T.E.	.
2	Nahorhabi	„	M/s.
1	Nagnijuli	T.E.	.
2	Longview	„	M/s.
3	Phuguri	„	
1	Gopalpur	T.E.	.
2	Sonali	„	M/s.
1	Soraipani	T.E.	.
2	Dufflaghur	„	
3	Dekorai	„	M/s.
4	Bargang	„	
5	Bordubi	„	

Sl. No.	Name of the tea estates	Under same Managing Agency and/or ownership	Amount
			Rs.
1	Sankar	T.E.	
2	Sewpur	"	
1	Bokel	T.E.	
2	Muttuck	"	
3	Singlijan	"	
4	Dikom	"	
5	Lengrai	"	
6	Panitola	"	
7	Hukanpukri	"	
8	Koillamari	"	
9	Daisajan	"	
10	Harmutty	"	
11	Dejoo	"	
12	Tippuk	"	
13	Nalani	"	
1	Konikor Dallim	T.E.	
2	Kolony	"	
1	Dahingeapar	T.E.	
2	Gabroo Purbat	"	
1	Madanpur	T.E.	
2	Ballacherra	"	
1	Sonali	T.E.	
2	Rupali	"	
3	Good Hope	"	
1	Looksan	T.E.	
2	Pashok	"	
1	Hanumanbag	T.E.	
2	Sapoi	"	
1	Dooteriah	T.E.	
2	Kalej Valley	"	
		M/s.	5,70,762-
		M/s.	45,94,956
		M/s.	7,54,064
		M/s.	11,07,484
		M/s.	2,94,890
		M/s.	8,61,656
		M/s.	1,92,618
		M/s.	12,82,420
		M/s.	6,16,770

Sl. No.	Name of the tea estates		Under same Managing Agency and/or ownership	Amount
1	Polovi	T.E.	}	Rs. 5,92,000
2	Pallorbund	„	}	
1	Burnie Braes	T.E.	}	9,81,166
2	Durrung	„	}	
1	Doyang	T.E.	}	13,96,380
2	Kanu	„	}	

## APPENDIX IV

### *Summary of Main Conclusions|Recommendations*

S. No. 1	Para No. of the Report 2	Ministry/Depart- ment concerned 3	Conclusion Recommendations
1.	1.13	Foreign Trade	<p>The Committee are deeply concerned to observe that Indian tea has been progressively losing ground in most of the world markets. The country is the leading producer of tea in the world and, next to jute, tea has been the biggest foreign exchange earner. However, over the years, the volume as well as the unit value of tea exports have been rapidly coming down. How alarming the position is would be evident from the statistics given in this section of the Report. In 1968, India exported less quantity than in 1959. In four of her principal markets—U.K., U.S.A., Canada and U.A.R.—which, between them, absorbed 75 per cent of India's tea exports in 1959, exports had fallen by 25 per cent in 1968. The fall in exports to U.K. was particularly steep: in 1968, this country, which has been the biggest single market for Indian tea, imported from India about a third less than in 1959.</p> <p style="text-align: right;">55</p>
	1.4	Do.	<p>The fall in unit value of Indian tea in overseas markets has also been very disconcerting. Taking the tea sold in London auction alone, a kg. of North Indian tea fetched 23 per cent (approximately) less in 1968 than it did in 1955. The fall in unit value of South Indian tea, was also equally severe (about 22 per cent).</p>

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2	1.15	Foreign Trade	The Committee observe that the ground lost by India has been captured by its competitors, notably Ceylon and East Africa. Ceylon, though, it was also affected by the phenomenon of falling unit values, was exporting more tea in 1968 than in 1959. So was Kenya, which managed to get substantially the same price for its tea in 1968 as in 1955.
1.16	Do.		<p>The Committee recognise that the set-back to tea exports has arisen from a world-wide glut. While world consumption of tea has been rising at the rate of 1 per cent per annum, world production has been increasing by 3 per cent. This situation no doubt indicates that it would be to the advantage of the producer countries to take concerted steps to limit supplies to the world market. However, desirable such a concord might be the following considerations suggest that an agreement would by no means be easy to secure.</p> <p style="text-align: right;">35</p> <p>(i) The tea industry in some of the competing countries from East Africa is in its infancy and these countries may not, therefore, be willing to forsake the inherent advantages that this gives them <i>vis-a-vis</i> their competitors. During evidence, the representative of Ministry of Foreign Trade admitted that "a number of countries were not interested in an international agreement" during the discussions held for this purpose in Rome.</p>

(ii) Some of India's competitors do not have the advantage of having a large home market and would, therefore, inevitably look for expanding export markets under the compulsions arising from increasing production. This would mean their demanding a larger share increasingly.

(iii) An agreement which was previously in existence founded in 1955 due to non-signatory countries increasing their acreage and export.

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Do.

The Committee would, therefore, like to caution Government against expecting any salvation from an agreement of the type now under contemplation. In any case, Government will have to ensure that it does not result in our giving away more concessions than we get. In the ultimate analysis, Indian tea would have to hold its position in international markets on the strength of its quality, consumer appeal and marketing efficiency. Later in this Report, the Committee have made certain suggestions in regard to the lines on which export promotion would have to take place.

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1.18

Do.

The Committee are also not in favour of the internal market being drastically starved of quality teas which are in demand. They appreciate that export of quality teas must have priority, but with the world market situation as it is now and the country's tea production also increasing, it

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would not be judicious for Government entirely to disregard the claims of the internal market, to good quality teas.

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2.7

Foreign Trade

In the Committee's opinion, London auctions have not proved a blessing for Indian tea. A study by F.A.O. revealed that 75 per cent of tea bought in London auctions were for four buyers. This monopoly on the buyers side has further weakened our position in what has essentially been a buyers market. The Committee recognise that it may not be practical for the country to withdraw from these auctions : on the other hand, with other exporting countries being obliged to sell in these auctions, our withdrawal would harm our interests. Nevertheless an early solution for this unsatisfactory situation will have to be found.

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2.8

Do.

The Committee feel that, while an agreement with other countries to limit sales at London auctions might, in the foregoing circumstances, seem indicated, the long-term solution for this problem lies in diversifying the market for Indian tea. Tea consumption in U.K. seems to have been more or less steady over the years. In any case, as pointed out by the Barooah Committee, India has not been able to take advantage of any recent increase in consumption in that country that has occurred due to tea promotion campaigns. Besides, U.K. itself is re-exporting Indian tea to other countries, apparently after blending. This situation underlines the need for our seeking new markets and developing promising markets for exports. The Barooah Committee have drawn attention to the

possibilities of augmenting exports to countries like Australia, U.S.S.R., Morocco and to developing countries. These should be further explored.

6. 2·9 Do. The Committee are in this context surprised to learn that the Tea Board has not carried out any market surveys. A proposal in this regard is now stated to be under consideration. The Committee would like an early decision to be taken thereon. The Committee need hardly add that such market surveys should be conducted by competent and experienced personnel and should be undertaken in association with Trade, which would have a stake in its results.

7. 2·14 Do. It seems to the Committee that if export earnings from tea are to be sustained, if not increased, a number of measures are called for. 5

2·15 Do. The first and primary need is to encourage the production of quality tea, as our cheap 'filler' teas have been virtually priced out of international markets. The Barooah Committee have pointed out that Kenya has improved her quality to the extent that some of her teas are fetching better prices than Assam teas. The Tea Board has a replanting scheme for replacement of depleted over-aged bushes. This will have to be imaginatively executed. Special consideration in this connection will have to be given to the requirements of the industry in Darjeeling, which is a quality area. Over 50 per cent of the bushes here are over-aged and production

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has been progressively going down. This should be quickly arrested, by accelerated rate of replantation.

8. 2'16 Foreign Trade Secondly, it will be necessary to undertake substantial product diversification. Consumer preferences in some of the sophisticated markets have undergone a change with the increasing popularity of tea bags, instant tea and tea mixes in preference to conventional tea. It is essential that the industry applies its mind to this phenomenon and produces various new forms of tea. This is a matter that calls for research support and the Committee get the impression that a serious beginning is yet to be made. An advantage that would accrue to the country by undertaking the marketing of these products is that these will involve the use of cheaper teas, which are at present consumed indigenously. Their diversion for the manufacture of these products should help to increase export earnings.

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9. 2'17 Do. Thirdly, the bulk of our tea exports constitute raw material which is processed and blended abroad. This means that we are forgoing the foreign exchange earnings which would accrue if blending and packing of tea were to be done here to the maximum extent possible. The export of blended and packaged tea should, therefore, be progressively augmented, particularly to developing markets, where the possibility of competition from organised retail market does not exist to the same extent as in the more sophisticated markets.

Do.

Over the last five years ending 1968-69, a sum of Rs. 4.88 crores has been spent on tea promotion campaigns abroad. Considering the dismal record of Indian tea exports to which a reference has been made earlier

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in this Report, the Committee cannot help feeling that this expenditure has largely failed to serve its purpose. The Barooah Committee, which reviewed the position in this regard, pointed out that neither in U.K., India's principal market, nor in U.S.A. was Indian tea successful in taking advantage of increased consumption of tea that was fostered by 'generic' campaigns: on the contrary, the Indian share of the tea sales in these markets went down. On the other hand, Kenya which "has made comparatively small contributions to a few Tea Councils in recent years" has been able to consolidate its position in almost all the markets at the expense of its competitors.

Do.

The Committee feel that Government should conduct an appraisal of the utility of the 'generic' campaigns to see whether these are not over-emphasised to the detriment of 'uni-national' campaigns. If at all the 'generic' campaigns have succeeded, they have succeeded in creating a market for tea which India's competitors have been able to capture, except in countries to which India's exports are not, in any case, very significant. It might be argued that these 'generic' campaigns, which are conducted in collaboration with the trade and other producers, create good-will with trade in those countries. The same purpose could possibly be equally

well served by directing 'uni-national' campaigns towards trade, apart from consumers, packers, distributors etc. As such 'uni-national' campaigns directly promote the cause of Indian tea (and not tea generally), their results will also directly be to the country's advantage.

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2.26

Foreign Trade

One aspect of the 'ni-national' campaigns conducted by the Tea Board needs mention. The bulk of the expenditure on these campaigns was accounted for by the outlay on the Tea Board's overseas offices at U.K., U.A.R., Belgium, Australia and U.S.A. In fact, out of Rs. 1.57 crores spent on 'uni-national' campaigns during the last three years ending 1968-69, the outlay on these offices accounted for Rs. 1.34 crores. These offices no doubt carried on publicity through media-advertising and consumer publicity (which was included in their outlay), but the Committee feel that the maintenance of these offices with attendant expenditure on staff and rent of buildings etc. eats into the meagre resources available for direct publicity. The data furnished to the Committee shows that, in fact, between one-fourth to one-sixth of the outlay on promotion campaigns was on account of staff salaries. The Committee would in this context like to make the following suggestions:

(i) All the Indian Missions overseas have generally a commercial Secretary who is responsible in the course of his work to the Ministry of Foreign Trade. These Missions are already

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attending to the work of tea promotion in countries, where there are no overseas Tea Board offices. It should be considered by Government whether, by suitable arrangements, the work in the other five countries could also be similarly transferred. The Committee appreciate the need for ensuring that existing markets in these countries are not lost, but there is no particular reason to suppose that the maintenance of overseas office is going to help. What is called for in the circumstances is an imaginative campaign for publicity, with the help of expert advertising and public relations agencies in these countries. The responsibility for initiating such campaigns could devolve on the overseas missions, acting in collaboration with the Tea Board for this purpose. Once these campaigns are started, these should be sustained by a continuing effort so as to convert the consumers and retain their patronage. The Tea Board should also profit by the experience of organisations like Air India which ensure good publicity overseas, by frequent changes in the theme of posters with new significance which sustain the interest of the viewers.

- (ii) There is no involvement by trade in export promotion campaigns now being conducted. This should progressively be secured: in fact, as exports of packaged tea become more and more popular, the trade should be encouraged to take over the publicity work from the Board. Ultimately it will be the seller who will know best how to advertise.

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12.	3.4	Foreign Trade	<p>The Committee feel that overseas Tea Centres, while providing an opportunity to overseas consumers for sampling of tea, have a limited scope for the propagation of Indian tea. As pointed out at the Tea Seminar, they are capable of reaching only a very small percentage of overseas consumers. A chain of tea centres to reach a larger section of the consuming public may not be feasible particularly as overseas markets are vast and far-flung. For these reasons, the Committee feel that the stress in overseas tea promotion should be on other advertising media.</p>
13.	3.5	Do.	<p>The Committee note that the Tea Centres at London and Edinburgh have been continuously running at a loss. During the last three years ending 1968-69, these two centres have run up a deficit of Rs. 24.47 lakhs: their takings have also progressively been coming down. The Committee see no particular reason why these centres should continue, particularly, as in U.K., as pointed out in an earlier Section of this Report the scope for augmenting tea consumption is limited. The Tea Board themselves would appear to be entertaining doubts about the need for these centres. The Committee would like Government to come to an early decision about closing these centres.</p>
14.	3.6	Do	<p>The Committee would also like to stress that where tea centres are run overseas, they should be run not in established markets but in emerging markets in developing countries which present real potential.</p>

4.12

## Foreign Trade

The Committee would like the Tea Board to keep tea production in the country under continuous watch to ensure that target of 460 million Kgs. by 1973-74 is achieved. In any scheme for additional production, the demands for production of quality teas, must receive priority as earlier suggested by the Committee. Green tea is another item for which markets are emerging in the Middle East and some other countries. Since the type of tea required for producing green tea, which is in demand in Morocco and Algeria is available in abundance in Assam and North Bengal, Kangra and Himachal Pradesh, the Tea Board should make available to the planters the necessary process and machinery to manufacture green tea. To master the process, if necessary, arrangements should be made to train one or more persons in Japan or some other country producing superior type of green tea.

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4.13

Do.

Pests are at present causing an estimated annual loss of 10 per cent of the crop. The data furnished to the Committee indicates that the main formulations for pesticides are being imported. In respect of weedicides also, the country is dependent on one patented imported product. The question of development of adequate indigenous substitutes must be pursued by Government, in consultation with C.S.I.R. or the Tea Research Associations.

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4.14

Do.

The Committee note that there is some difficulty in obtaining additional land that the gardens require for tea production. This is a question which will have to be decided by Government of India in collabora-

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			in co-operation with State Governments, on a scheme of clear cut priorities, after taking note of the need for augmenting cereal production.
18.	4.15	Foreign Trade	The Committee note that a preliminary survey by the Tea Board has revealed that about 16 per cent of the bigger estates are uneconomic. The matters needs closer study, particularly in areas where quality tea is being produced. A selective liberalisation of the terms of the various Plantation Finance Schemes in favour of these areas might merit the closer attention of Government.
19.	4.16	Do.	Special steps would have to be taken by Government to ameliorate the lot of small tea growers in Nilgiris, Mandi and Kangra. The Committee note that the organisation of co-operatives in Nilgiris has helped to better the situation and that the establishment of some more co-operatives is under way. In the light of this experience, the Committee would like Government to consider the organisation of cooperatives in other areas also. Adequate guidance should be given to these cooperatives so that they could function as viable units.
20.	5.10	Do.	The Committee feel that the administration of the Tea Plantation Scheme needs to be greatly improved.
	5.11	Do.	In the first place, the screening of applications received from Tea Estates for loans under the scheme has been taking a long time. The data furnished to the Committee shows that 47 applications for loans amounting to Rs. 2.18 crores were pending as on 31st March, 1969,

39 of the applications were pending for over three months and the remaining 8 for over six months. The delay in clearing these applications has resulted in a substantial part of the annual allotment made for the scheme remaining unutilised every year since 1962-63 when the scheme was started. As a corollary, there has also been a shortfall in the realisation of the targets set for the scheme. Over the three years ending 1968-69, for instance, Tea Gardens could do fresh plantings only on 2,221 acres as against 3,227 acres that should have been covered under the scheme.

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Do.

Secondly, the distribution of financial assistance under the scheme has been rather uneven. Up to the end of 1968-69, 119 Estates were sanctioned loans amounting to Rs. 5.34 crores under the scheme. 61 of these Estates were controlled by 18 Managing Agents/Owners, each having two or more Estates. The number of Managing Agents/Owners who controlled five or more Estates was 4 and the Estates under their control, totalling 31, were sanctioned loans amounting to Rs. 1.5 crores. The Committee are not happy that loans under the scheme went to a small minority of Tea Estate interests.

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Do.

The Committee would like Government to investigate the working of the scheme to ascertain, with reference to the applications cleared, those kept pending and those rejected, whether the scheme has so far been impartially administered. Necessary corrective action should be taken thereafter. Another point which calls for immediate rectificatory action is that the scheme, at present formulated, has left the weaker section of the industry at a disadvantage. The Borooah Committee had drawn Government's attention to this point and it was stated during evidence

that Government were proposing to liberalise the terms of the scheme to remove this anomaly. This should be done expeditiously.

23.

5.17

Foreign Trade

The Replantation Subsidy Scheme will provide some incentive to the Tea Industry to replace over-aged bushes on account of which production and quality of tea have suffered. The Committee would, however, like the Tea Board to devise appropriate checks to safeguard against misuse of the assistance under the Scheme. Inspections for purpose of grant of assistance are now conducted by inspectors chosen from a panel, which the Committee understands consists of tea planters. The Committee consider it essential, with a view to safeguarding Government's interests, that knowledgeable officials from the Tea Board should also be associated with the process of inspection.

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24.

6.4

-Do-

The Committee note that all the four tea centres at present being run by the Tea Board in India are sustaining a loss. These bars were opened as part of a tea promotion campaign in the country which has now been stopped. The Committee would like it to be considered whether all or some of these centres could be closed or made over to cooperative organisations of workers, as has been done in the case of coffee houses which were run by the Coffee Board.

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6.5

-Do-

The Committee also note that some staff of the Tea Board rendered redundant as a result of discontinuance of tea propaganda in the country

are still to find gainful employment. An expenditure of Rs. 30,000 per annum is being incurred by the Tea Board on their salaries. The Committee would like the Board to take early steps to correct this position.

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6.8

Do.

As the grants were given to educational institutions in these cases with a view to providing educational amenities to the children of tea garden employees, the Committee would not like to pursue these cases further. The Committee would, however, like to point out that in as many as 13 out of 35 cases, where the institutes were given grants to build hostels to provide reserved accommodation for children of tea garden employees, not a single reserved seat was utilised. The Committee would like the Tea Board to investigate why the facility provided at the institutions to children of tea garden employees remain unutilised. This points to the need for greater care in screening proposals for these grants in future.

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Do.

The Committee feel that the requirements of co-operative tea societies were not properly assessed before releasing funds to the bank for grant of loans to the societies. A sum of Rs. 5.6 lakhs representing provision for pesticides remained completely unutilised by the societies and it took nearly 9 months for the Board to withdraw this unutilised amount from the bank. The Committee trust cases of this type will not recur.

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6.17

Do.

The Committee would like Government to take suitable steps to ensure that the State Governments refund immediately unspent balances of welfare grants amounting to Rs. 70,122, which have been retained by them for about 10 years.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
	DELHI			33. Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-I.	68
24.	Jain Book Agency, Connaught Place, New Delhi.	11	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	36.	Hind Book House, 82, Janpath, New Delhi.	95
27.	J. M. Jains & Brothers, Mori Gate, Delhi.	11	37.	Bookwell, 4, Sant Narain-Kari Colony, Kingsway Camp, Delhi-9.	96
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15		MANIPUR	
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annex, Imphal.	77
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23		AGENTS IN FOREIGN-COUNTRIES	
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	27	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON W.C.—2.	9
32.	Jayana Book Depot, Chawri Bazar, Karol Bagh, New Delhi.	66			

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