

Tea Faces A Crisis Again

*After converting his Chinese and Japanese hosts to the virtues of tea, Daruma returned home.
Let the Tea Board follow the example of Daruma.*

TEA has become, as the steel industry was until 1939, a prince or a pauper industry. In 1952-53, the tea industry was slumping. From the middle of 1953 to the first quarter of 1955, the industry enjoyed one of the biggest booms in recent history. Even before the 1954-55 season concluded, it became evident that the industry was, again, heading for a crisis. Encouraged by eighteen months of booming prices, producers raised output. Production expanded, but demand fell off after the first quarter of 1955. In the current season, prices have fallen; exports have declined; stocks have increased. Developments relating to the tea industry for the last two years are visibly reflected in the statistics given in the tables alongside.

Fluctuating: Fortunes

One clear fact emerges from the fluctuating fortunes of the tea industry in the last five years. Tea has become a prince or a pauper industry, mainly because world demand and supply have struck a delicate balance. Recent history confirms the growing suspicion that any appreciable increase in the export demand for tea is not likely in the near future. Two conclusions are, therefore, inescapable. To maintain its position, the industry must restrict output and perpetuate the International Tea Agreement to allocate fixed and defined export quotas to the major producing countries. Simultaneously, the Indian tea industry must concentrate on stimulating home consumption.

It was inevitable that, confronted with over-production, the industry should seek the remedy which enabled it to overcome the 1952-53 crisis. Recently, the Calcutta Tea Regulation Committee has issued a request to north-east Indian producers to re-introduce the voluntary restriction scheme. Reduced output combined with a sudden increase in exports to Britain caused the 1954-55 boom. Neither exports nor purchases by Britain are likely to repeat the 1954-55 record. Restriction of output is, therefore, doubly necessary. It is a safe assumption that the proposal of the Tea Regulation Committee will be accepted by north-east Indian planters.

Restriction on Output Essential
Tea output has increased not only in India, but in almost all the producing countries. North-east Indian planters may reach an agreement to curtail output, but Ceylon and South Indian producers have never shown any inclination to adjust output to diminishing demand. North-east Indian producers have always nursed a grievance that, while they are conscious of what needs to be done in their own interest, Ceylon and south Indian planters do not seem eager to bear any sacrifice in their own interests. There is something in this argument. But the 1955-56 level of tea prices is an assurance that growers everywhere will grow less tea next season. Even if Ceylon and other producers do not restrict output, the expected renewal of the International Tea Agreement, which fixes permissible exports from the various producing countries, is likely to ensure the Indian tea industry's interests.

Tea is a valuable source of foreign exchange. It is, therefore, obvious that the Indian tea industry must maintain its ground in export markets in its as well as the country's wider interests. But recent history is emphatic that exports of tea cannot be raised appreciably. It is, therefore, incumbent on the industry to encourage domestic consumption. At present, domestic consumption of

tea per capita does not exceed ½ lb per year. There is therefore considerable scope for improving consumption of tea within the country. After converting his Chinese and Japanese hosts to the virtues of tea, Daruma returned home. Let the Tea Board follow the example of Daruma. Two years ago, TTK had occasion to issue a warning to the re-organised Tea Board that it would be judged by its success or otherwise in spreading the tea habit within the country. This is a challenge as well as an opportunity to the Tea Board as to the industry.

World Tea Crop to the end of November 1955, (in million lbs.)

	1955	1954	1953
North India	518.3	502.5	472.6
South India	119.3	117.8	113.9
Pakistan	48.5	51.7	51.2
Ceylon	348.7	333.2	312.2
Indonesia *	80.1	85.3	63.7
Total	1114.9	1090.5	1012.7

*(up to October only)

North Indian U. K. Shipments up to the end of December

1955-56	146,100,034 lbs.
1954-55	209,580,105 lbs.
1953-54	236,470,404 lbs.

London Stock & Warehouse Deliveries (in million lbs.)

	1955	1954	1953
Stock at end of December	101.3	91.3	105.3
Teas afloat at end of December	29.5	39.1	65.6
Total	130.8	130.4	170.9
Deliveries during December	47.6	53.0	48.6
Deliveries from April 1 to December 31	382.7	378.3	378.9

Calcutta Warehouse Stocks at the End of December (Tea Chests, U. K. direct shipments not included)

	1955	1954
Tea Warehouse	247,274	217,405
Hide Road	142,569	91,884
King Georges Docks	193,457	88,868
Kantapukur Sheds	245,205	98,433
Tea Transit Sheds, King Georges Docks Transit Sheds and F. C. Transit Sheds	156,650	71,763
Total	985,155	568,353

Larger Home Consumption— Ultimate Remedy

Once it is widely appreciated that the tea industry's main problem is to raise home consumption, some of the current controversies will be seen in their proper perspective. It has been argued that the mounting cost is the main burden on the tea industry. Recently, the industry has agreed to pay bonus to labour for 1954. In that year, the industry distributed fat dividends. Tea labour has every right to share in the industry's prosperity during that year. It is not without significance that, immediately after the New Delhi agreement to pay bonus to workers, some of the tea planters have decided to discontinue the extra daily wage paid to plantation labourers.

Much has been sought to be made of the growing tax burden on the industry. There is no statistical evidence to prove that the export duty has affected exports. The export duty is now based on a slab system. Thus, the duty fluctuates automatically with movements in auction prices. In linking the export duty to the level of prices New Delhi has conceded that, the price of tea has a close relation to the export demand for tea. Though the complaint that, the export duty, based on the slab system, has hampered exports, has no basis in fact, there is something in the suggestion that the prices taken into consideration for fixing the export duty should also include Calcutta auction prices. At present, the duty is based on London auction prices for the month. Average London auction prices have been higher than those in Calcutta. There is a case for fixing the export duty on the mean auction prices in Calcutta and London.

Too Much for Calcutta Auctions?

This raises one of the major disputes relating to the tea industry in the 1955-56 season. During this, the current season, the Government decided to sell more Indian tea through Calcutta and Cochin auctions. It was unfortunate that the decision to auction more tea through Calcutta coincided with the drop in world demand for tea. It is true that "other countries" have sold more tea this year through London auctions. It is also true that Calcutta auction prices have fallen unduly, owing to heavy offerings. But there is no firm statistical evidence to prove that U K buying of Indian tea has suffered through the policy of auctioning

more tea internally. What this year's short experience has established is that Calcutta must be provided with more warehouses, if the policy of enlarging internal tea auctions is to be successful. Only when adequate warehousing facilities are available, can the trade succeed in matching weekly offerings to demand, so as not to depress prices.

To some extent, relatively lower prices for this season's tea is due to the poorer quality of the output. This has partially affected exports. But it would be hasty to conclude

that poorer quality of output is due to the change in ownership from non-Indian to Indian hands. Deterioration in quality is an inevitable concomitant of over-production. Change in ownership ante-dated, and did not precede, the time and period; when planters decided to raise output because of the then prevailing boom in prices. TTK issued a warning, in his address before the Export Advisory Council, that if what was happening in tea gardens tended to affect exports, the Government would intervene.



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