

Chapter 10 Final Responses of the Ministry of Commerce and Industry

10.1 Tea Board of India was established in 1954 under Section 4 of the 'Tea Act, 1953' as a statutory body under the Ministry of Commerce and Industry (MOC&I). Tea Board was mandated to perform regulatory, developmental, research, marketing and promotional activities. We conducted a Performance Audit of Tea Board in view of declining productivity of tea in India, comparative decline in the prices of tea, increased cost of production and decline in India's production and export share.

10.2 Our audit examination highlighted the following critical issues.

Regulatory role **10.2.1** Even after more than five decades of its existence, Tea Board has failed to discharge even its basic regulatory role effectively. More than 80 per cent of small growers in India continue to be outside the ambit of regulations by the Tea Board. System of inspection for regulating the activities of various stakeholders was weak and non-transparent. Tea Board was also not able to ensure submission of business information by stakeholders so as to exercise effective control on their activities.

Tea Board needs to completely revamp its structure so as to exercise better regulatory control on the Tea industry in India.

Final Response of the Ministry of Commerce and Industry *The Ministry agreed with the observations of Audit as large extent of small growers had remained outside the purview of regulatory control. The Ministry felt that the major factors for the small growers to be outside the ambit of regulations were the increase in number of small tea-growers and inadequate land records available with them. On the directions of the Government, Tea Board had extended financial support to the State Governments of Assam, West Bengal and Tripura to conduct a base-line survey for complete enumeration of the small growers. While the survey in Assam and West Bengal had since been completed, it was under progress in Tripura. On completion of the surveys, the Board would be in a position to update the registration, provided the state Governments confirmed their land ownership.*

Further, manpower deployment of Tea Board was designed for carrying out regulatory functions of the Tea Board considering the large size of the big gardens. With the increase number of small growers and limited scope for redeployment, creation of new posts had become a necessity. Tea Board had already submitted a proposal for establishing a separate cell for looking after the interests of small sector and the same was under active consideration of the Government.

Increasing Productivity **10.2.2** One of the most critical reasons for low productivity of Indian tea was that 57 per cent of the tea bushes were commercially unproductive.

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| | <p>Tea Board's efforts at replantation were insignificant both in terms of area covered as well financial support provided. The backlog for replanting up to 2008 would take 149 years to clear at the present pace of implementation. Yearly spending of merely around ₹19.97 crores during the last nine years was insignificant as compared to requirement of capital subsidy (25 per cent) of ₹1522.80 crore for replantation alone.</p> <p>Continuously increasing commercially unproductive bushes is the most serious threat to the tea industry in the immediate future and appropriate and timely interventions are essential for arresting this increasing trend.</p> |
| <p>Final Response of the Ministry of Commerce and Industry</p> | <p><i>The Ministry agreed with the observations of Audit and stated that the tea industry was shy of borrowing under the scheme and the loan off take over the last four years was only ₹36 crore as against the envisaged target of lending @ ₹150 crore per annum because of the long gestation period. The other issues of significance which also had a bearing on the decision of tea companies in taking up replanting was the non-availability of high yielding planting materials and labour apart from high unit cost. Government had directed TRA & UPASI to focus the R&D efforts in identifying the clones capable of yielding more than 5000 kgs. For addressing the problem of shortage of labour which was prevalent in the other plantation sectors, Ministry was in the process of formulation of some schemes on farm mechanisation on the lines of Coffee Board.</i></p> <p><i>The Ministry stated that some of issues which were hindering the progress would be taken up with the Planning Commission for the Twelfth Plan period. Some other suggestions on these issues would also be considered while formulating Twelfth Plan scheme. In the meantime, stakeholder consultation had begun for Twelfth Plan proposals and their views would also be incorporated.</i></p> |
| <p>Improving Quality</p> | <p>10.2.3 Despite the schemes for improvement in quality being in operation for more than four years, there was no increase in production of orthodox tea. For improving quality of tea and product mix, Tea Board needs to take very well structured measures supported by appropriate manpower and finance from the Government.</p> |
| <p>Final Response of the Ministry of Commerce and Industry</p> | <p><i>At the instance of the Ministry, an evaluation of the ongoing scheme was carried out by Tea Board through an independent consultancy firm. The recommendations emerging from the study had been deliberated at length with the industry and Tea Board. Government had already enhanced the allocation for orthodox subsidy by ₹20 crore this year. It had been decided to factor in the recommendations while considering the scheme for continuation during the Twelfth Plan period. At that point of time the suggestions of the audit with regard to manpower and finance will also be given due consideration.</i></p> |
| <p>Reducing Cost</p> | <p>10.2.4 Tea Board needs to adopt an appropriate system of cost studies for identifying areas for cost reduction to ensure long term sustainability</p> |

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| <p>Final Response of the Ministry of Commerce and Industry</p> | <p>for the tea industry. We are of the view that improving the productivity of manpower and appropriate technology intervention are essential for cost reduction.</p> <p><i>The Ministry agreed with the suggestions of Audit for the Tea Board to adopt an appropriate system of cost studies for identifying areas for cost reduction to ensure long term sustainability for the tea industry. The Board would be asked to undertake such cost audit on a regular basis. Since the Indian tea plantations were bound by various legislations which mandated the owners of the tea gardens to take care of the welfare amenities of the workers which inevitably result in high cost of production, the Government was contemplating to bring more schemes for the welfare of the garden workers. For technological intervention, the scheme such as farm mechanisation, new roller machines and packaging for value addition might be evolved after taking the views of the stakeholders.</i></p> |
| <p>Research</p> | <p>10.2.5 Research activities were not fruitful as neither any deliverables were transferred for the use of the tea industry nor were any patents filed due to inadequate monitoring and shortage of manpower and resources.</p> <p>Tea Board needs to ensure availability of adequate scientific manpower and other resources for fruitful Tea Research along with effective monitoring systems.</p> |
| <p>Final Response of the Ministry of Commerce and Industry</p> | <p><i>The Ministry agreed with the observations of Audit and stated that the suggestions of Audit would be given due consideration while formulating the new R&D schemes for the Twelfth Plan period and Tea Board had been already advised to disseminate the research findings to the tea industry.</i></p> |
| <p>Marketing and Promotion</p> | <p>10.2.6 In view of ineffective implementation and execution of schemes aimed at marketing and promotion of Indian tea in India and abroad, Tea Board needs to frame a long term strategic plan and detailed plans for marketing of Indian tea. The plans should clearly identify the weaknesses including those brought out in our Report as well as the Medium Term Export Strategy and appropriately devise schemes and action plans with the adequate involvement of all stakeholders.</p> |
| <p>Final Response of the Ministry of Commerce and Industry</p> | <p><i>The Ministry agreed with the observations of Audit and stated that it was in the process of evolving a scheme that would give emphasis to value addition, brand promotion, market access and product mix for exports. A strategy paper in this regard was under preparation for impact of promotion in five countries. Ministry further stated that Tea Board would be advised to give due consideration while formulating the market promotion scheme for the ensuing Twelfth plan period.</i></p> <p>10.3 Thus, Tea Board needs to carry out major structural and strategic changes in its policies and plans to perform its regulatory functions more efficiently and effectively. Considering the poor performance of</p> |

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| <p>Final Response of the Ministry of Commerce and Industry</p> | <p>Tea Board in enhancing productivity, improving quality and reducing cost of Indian tea, we are of the view that the Government needs to review the entire functioning of Tea Board and take a holistic view on its existence and role in the future. The Government may also consider redesigning its programmes, schemes, delivery mechanisms and allocate higher financial outlays to effectively address the problems that plague the tea industry in India.</p> <p><i>Ministry stated that suggestion made by Audit will be taken up in earnest spirit and modification will be brought in while finalising the Twelfth plan. Ministry further stated that it has already requested Indian Institute of Plantation Management, Bangalore and Central for Development Studies to provide their views on structural infirmities faced by the plantation industry including tea. The report was expected be a holistic exercise and effort would be made to enhance the outlay of Tea Board.</i></p> |
| <p>Overall Response of the Ministry of Commerce and Industry</p> | <p>The Ministry stated that any major changes in the ongoing scheme might not be possible at this juncture as they were in the terminal year of Eleventh Five Year Plan. Suggestions made by Audit would taken up in earnest spirit and modifications would be brought in while finalising the Twelfth Five Year Plan subject to the financial outlay of the Department of Commerce.</p> |