

## Chapter 5 Development of Tea: Improving quality of tea

**Objective 3: Whether developmental activities undertaken by Tea Board had an impact on improving quality of tea in India.**

**Improving quality of tea**

**5.1** The price of a commodity like tea depends on its quality. In the past, Indian tea used to command premium prices in the international markets due to its superior quality.

**Low increase in unit price of Indian Tea**

**5.2** In respect of export of tea, the unit price can be worked out by dividing the total quantum of tea exported at a particular time by the total value of tea exported at that time. Unit price of Indian Tea as compared to that of other major tea-exporting countries like Japan, Mauritius, Sri Lanka and Kenya are shown in the following table:

(in US \$ per kg)

**Table 7 – Comparison of unit price of tea of major tea-exporting countries<sup>41</sup>**

Name of the country	2000	2001	2002	2003	2004	2005	2006	2007	2008 (E)	2009
India	2.04	1.95	1.79	1.97	2.06	2.09	2.03	2.45	2.71	2.91
Japan	15.87	13.11	14.60	16.29	18.15	18.34	16.37	16.47	18.90	18.76
Kenya	2.12	1.75	1.58	1.68	1.64	1.67	2.09	1.99	2.34	2.63
Mauritius	4.37	5.27	5.72	5.63	8.29	7.57	8.44	7.41	9.26	3.06
Sri Lanka	2.37	2.28	2.24	2.25	2.41	2.58	2.64	3.26	4.02	4.09

**Source: Tea Board, E – estimated**

It can be seen from above that price realisation from export of tea by Sri Lanka has increased by 73 per cent, whereas price realisation of Indian tea has shown increase of only 43 per cent. The reason for lower increase in price realisation of Indian tea is primarily due to inferior quality, adverse product mix and other marketing factors. Further, while the world market demands orthodox tea, India produces only 10 per cent orthodox tea (90 per cent CTC tea). Tea Board thus, needs to stress on the improvement in the quality of CTC tea and increase the production of orthodox tea.

During the Tenth and Eleventh Five Year Plans, the schemes implemented by Tea Board mainly focused towards production of good quality tea and the thrust areas were renovation of old worn out machines to augment the processing capabilities, diversification of product profile i.e., from CTC to Orthodox/green tea manufacture, improving packaging standards and increasing the volume of value added tea and specialty tea. Tea Board formulated and implemented three schemes for quality improvement i.e. Orthodox Tea Production Subsidy Scheme, Quality Upgradation & Product Diversification Scheme (QUPDS) and Crash Scheme.

<sup>41</sup> Figures from 2009 onwards not available with Tea Board

India's  
position in  
production of  
Orthodox tea

Low share in  
export of  
orthodox tea

**5.3** Production of tea in India by different methods of manufacturing during the last five years is given below:

(in million kgs)

Category	2004	2005	2006	2007	2008 (E)	2009 (E)	2010 (E)
CTC	815	849	894	887	875	870	850
Orthodox	71	87	77	89	97	95	100
Green	7	10	11	10	9	14	16
<b>Total</b>	<b>893</b>	<b>946</b>	<b>982</b>	<b>986</b>	<b>981</b>	<b>979</b>	<b>966</b>

It can be seen from the above table that in 2010, of the total tea production in India, 98 per cent is black tea and only two per cent is green tea. Of the 98 per cent, 88 per cent tea is CTC and 10 per cent is orthodox.

**5.4** In the world tea market of 1,648 million kg in 2008, black tea accounts for 83 per cent, while green tea accounts for the remaining 17 per cent. In the black tea segment, the share of orthodox tea is 44 per cent, whereas for CTC it is 39 per cent (643 mkg). Thus, orthodox/green tea segment accounts for 61 per cent (1005 mkg) of world tea trade. Therefore, even if we assume that all the orthodox/green tea produced in India is exported (without taking into account the domestic consumption of orthodox/ green tea), the export share of orthodox/green tea would be around 10 per cent. Thus, to enhance its share of export, India needs to enhance production of orthodox tea. The overall picture of orthodox tea production in India since 1961 is given in table below:

(In million kgs)

Year	Production of orthodox tea <sup>42</sup>	Total production of tea	Percentage of total production
1961	232	354	66
1971	196	436	45
1981	203	560	36
1991	151	754	20
2001	94	854	11
2002	93	839	11
2003	79	878	9
2004	78	893	9
2005	97	946	10
2006	88	982	9
2007	99	986	10
2008	106	981	11
2009	109	979	11
2010	116	966	12

<sup>42</sup> Includes orthodox and green tea

### Orthodox Tea Production Subsidy Scheme

The percentage of orthodox tea production in India which was as high as 66 *per cent* of total production in 1961, came down to 11 *per cent* in 2001. Since then, the share has remained more or less stagnant.

**5.5** Some of the main reasons for limited production of orthodox tea are inadequate capacity to produce and higher cost of production of orthodox tea vis-à-vis CTC tea. Tea Board proposed to address the issue of higher cost of production through Orthodox Subsidy Scheme and inadequate capacity through QUPDS and Crash Scheme. These schemes have been discussed in the succeeding paragraphs.

**5.6** The scheme was introduced to correct the imbalance in the product mix within the country and to re-establish the earlier pre-eminence of India as a supplier of high quality and competitively priced orthodox tea in the international market. The scheme was approved by the Ministry in June 2005 and an amount of ₹132.41 crore was disbursed during November 2005 to March 2011. The main features of the scheme are given below.

#### Terms and conditions of Orthodox Tea Production Subsidy Scheme

The scheme allowed subsidy for production of orthodox tea @ ₹3 per kg for leaf grades and ₹2 per kg for dust grades for existing levels of production with additional incentive @ ₹2 per kg for the incremental volume over the previous year from 1st January 2005 to 31st March 2007.

(a) In the case of producers who produced only (100 *per cent*) orthodox tea, Tea Board was required to carry out periodic inspections, verify factory records to check the volume of tea manufactured. The Inspectors of the Board were to certify that the factory was registered with the Board and produce only 100 *per cent* orthodox tea and thus was eligible for subsidy.

(b) In case of producers who route their tea through auctions, the quantity of tea sold through auction during the given month was to be considered for subsidy provided that the said volume was certified by the brokers auctioning the tea and countersigned by the competent authority of the concerned auction organiser.

(c) For producers who did not route their tea through auctions or who did not produce 100 *per cent* orthodox tea, such as producers of both CTC and orthodox tea, in the case of direct exports by the producer or for the tea offered for exports through merchant exporters, a list of documents was specified, which were to be relied upon for releasing the subsidy, whereby ensuring that subsidy was not released for CTC tea.

(d) Additionally, in the case of Darjeeling Tea Producers, the quantity certified under Certification Trade Mark scheme of the Board with the clear indication of grades of tea produced during the scheme period only were to be considered for subsidy.

In all cases, the Board was to ensure that the subsidy was not claimed under two different modes for the same quantity of tea.

A formal Committee comprising of Commerce Secretary, Additional Secretary (Plantations), Additional Secretary & Financial Adviser, Department of

**Impact of the scheme on production of orthodox tea**

Commerce, Chairman, Tea Board and representatives of Planning Commission, Department of Expenditure, Department of Revenue, Banking Division and the Industry associations (north and south) was to monitor the implementation of the scheme. Our audit findings in respect of the Orthodox Subsidy Scheme are discussed below:

**5.6.1(a)** The scheme was introduced in June 2005 and subsidy disbursement was started from November 2005. However, there was only marginal increase in quantum of orthodox tea production during 2006 to 2010 as compared to 2005, though an amount of ₹132.41 crore was disbursed up to the year 2011. In fact, the target for production of 160 m kgs of orthodox tea per year as spelt out in Medium Term Export Strategy as a result of the steps taken by Tea Board on its recommendation was never met. Tea Board stated in January 2010 that price of orthodox tea is generally market driven. The all-India average auction price of orthodox tea in 2004 was ₹77.18, while in 2005 it was ₹63.42. Hence, considering the decreasing price trend of 2005, the owners could not risk producing more orthodox tea during 2006. This indicates that there was no impact of subsidies disbursed by Tea Board under this scheme.

**(b)** The target of 160 m kgs was set in the Medium Term Export Strategy (approved by the Ministry) for the terminal year of Tenth Five Year Plan. However, this depended on the industry diversifying its product profile from CTC tea to dual manufacturing (CTC and Orthodox). The role of the Board in this regard was first to identify CTC manufacturing units/ new entrants, who were capable to transform themselves into dual manufacturers/ start manufacturing orthodox tea. After assessing the units, the requirement of funds was to be estimated and subsidy was to be provided accordingly. We observed that the Board did not exercise the said functions. Therefore, neither the target of 160 m kgs which was set by the Medium Term Export Strategy nor the target of 126 m kgs per annum set as per the Tenth Five Year Plan could be achieved.

**(c)** During the Eleventh Five Year Plan (2007-12) the Board fixed a target of 380 m kgs for orthodox tea production i.e., an average of 76 m kgs per year. The target has no meaning as up to the year 2007, annual production has never been less than 76 m kgs.

**(d)** The effectiveness of the scheme was to be monitored by a high-level committee. However, no such monitoring of the scheme had been done as of January 2008. The Ministry stated in October 2009 that an independent professional was entrusted the work of scheme evaluation and mid-course correction, if any, would be done based on the outcome of the study.

**(e)** We further observed that the eligibility conditions were deficient to the effect that subsidy was paid on the quantity of production/auction sale/export etc., without making it mandatory to increase a minimal percentage of the production of orthodox tea.

**Excess/  
irregular  
payment of  
subsidy**

The Ministry stated in October 2009 that the producer needs to factor in the risks involved in production of orthodox tea. Hence, it was contemplated to achieve the incremental production through incentivisation rather than prefixing minimal percentage of production increase as a mandatory requirement.

However, the fact remains that in the absence of a benchmark for perceptible increase in orthodox tea production, there was no impact of the subsidy paid. The independent professional agency which was entrusted the work of evaluation of the scheme also opined<sup>43</sup> (December 2009) that due to generic nature of the subsidy scheme across all regions and for all tea companies producing orthodox tea irrespective of volume and quality of tea produce, exact impact of the scheme could not be evaluated.

**5.6.2** In 2009, there were 482 orthodox tea factories in India (including dual manufacturing factories) of which 321, 323, 374 and 230 factories were disbursed subsidies in the year 2005, 2006, 2007 and 2008 respectively. We reviewed 204 payment cases covering 115 factories<sup>44</sup> during the period November 2005 to December 2009 on a test check basis. In respect of cases of 100 *per cent* orthodox tea producers, we observed that:

**(a)** Tea Board did not carry out periodic inspection of factory records to verify the volume of tea manufactured as per the instructions of the Ministry in all the 60 factories manufacturing 100 *per cent* orthodox tea. In fact, Tea Board amended the scheme in October 2006 and stated that the procedure in respect of volume of tea produced would be based on documentary evidence submitted by the factories. However, we found that volume of tea produced in the factory could not be verified from Excise invoices, as the invoices ed details of total dispatch of tea from factory premises, which could include tea produced during previous years or tea purchased from outside for blending and sale. Thus, by not carrying out periodic inspections for verification of factory records to verify the volume of tea manufactured, Tea Board disbursed subsidy to all factories irrespective of increase/decrease in production of orthodox tea. In four<sup>45</sup> illustrative cases, we observed that Tea Board disbursed subsidy on the basis of Excise invoice for 9,05,455 kgs during 2005. We, however, found that the quantity actually produced by these factories on the basis of the e-returns submitted by them to Tea Board was only 8,06,662 kgs. Therefore, Tea Board made payment of subsidy for an excess quantity of 98,793 kgs.

The Ministry stated that subsidy was paid on the basis of Excise Invoice as per scheme guideline and not on the basis of e-return. Hence, there was no excess payment. However, the fact remains that e-returns are submitted by the manufacturers to Tea Board monthly declaring the production of tea

<sup>43</sup> The report has been submitted by AC Neilson and acceptance/approval of the Ministry is awaited.

<sup>44</sup> 60 factories manufacturing only orthodox tea, 21 factories manufacturing Darjeeling tea, 20 manufacturing both CTC & orthodox tea and 14 Green tea factories.

<sup>45</sup> KDHP Pvt. Ltd, Stanes Amalgamated Estate Ltd., Rahimpur Tea Company Ltd., Harrision Malyalam Ltd.

while excise invoice indicates the quantum of tea exported which may have included a portion of quantum of tea procured by the manufacturer from outside their factory. Therefore, we are of opinion that the condition formulated in the guidelines itself is deficient.

**(b)** Out of the above 60 factories, in 54 case files, Tea Board did not keep on record a certificate stating that these factories were producing only 100 *per cent* orthodox tea. Tea Board stated in March 2010 that factories once inspected, need not be inspected every year for certifying them as 100 *per cent* orthodox tea factories. We, however, observed that in six factories to which subsidy was disbursed in 2005 itself, i.e., at the very beginning of the scheme, no certificate was placed on record.

**(c)** In two<sup>46</sup> other cases, while calculating the incremental volume of a year over the previous year, the Board considered only those months where there was an increase in production and ignored the months where there was a decrease with respect to the previous period. Thus, due to wrong calculation of incremental volume of production the Board made an overpayment of ₹2.97 lakh. The Ministry stated that the subsidy was paid on the incremental production of the current year over the previous year. However, the fact remains that total increase cannot be arrived at without taking into consideration the decrease in production during this period. Considering only the months with increased volume and not the months with decreased volume would lead to a situation wherein without any overall incremental increase during a year, the applicant would get subsidy. This loophole needs to be plugged.

**(d)** In respect of Darjeeling Tea Producers, the subsidy was to be disbursed for the quantity certified under Certification Trade Mark (CTM) scheme of the Board with the clear indication of grades of tea produced. We, however, observed in all the 21 cases test checked that Tea Board disbursed subsidy on the basis of information provided by Darjeeling Tea Association and not on the basis of CTM scheme. Tea Board replied in March 2010 that it was due to absence of indication of separate grade in the CTM scheme.

**(e)** Tea Board adjusted a subsidy of ₹1.64 crore involving 91 applicants against the loan on which they had defaulted, thereby defeating the purpose of providing incentive to manufacturers to reduce their production cost of orthodox tea. The Ministry stated that it was the policy decision of the Board. However, the fact remains that in these cases, production of orthodox tea was not encouraged.

**Thus, while the tea industry needed to produce more orthodox tea to capture international markets, production of orthodox tea in India is not significant. Tea Board's support to boost up orthodox tea production had not been effective as there was no mandatory condition of a perceptible**

<sup>46</sup> Bhavani Tea Co. Ltd., United Nilgiri Tea Estate Co. Ltd.

**Quality Upgradation and Product Diversification Scheme**

**increase in production of orthodox tea for release of subsidy.**

**5.7** The QUPD scheme was implemented from 2002 to provide subsidy to the needy tea gardens/factories towards production of good quality tea as well as augmenting their processing capabilities by improving packaging standard, product diversification and quality certification. During 2002-09, Tea Board received ₹109.43 crore and disbursed ₹110.87 crore to 1747 manufacturing units, out of the total 1896 manufacturing units in India. The main features of the scheme are given below.

**Terms and conditions of Quality Upgradation and Product Diversification Scheme**

- Bought leaf factories, single estate tea factories and medium sized tea gardens were eligible to get the subsidy.
- Orthodox processing facilities including rollers, conventional dryers and various sorting equipment (Middleton sorters, bichromatic colour sorters, etc.) withering facilities – complete withering troughs inclusive of construction were to be subsidised.
- Green tea processing facilities, tea-packaging facilities, tea-bagging facilities, tea-cleaning equipment, blending and allied machineries were also to be subsidised.
- The applicant factory had to mobilise 75 *per cent* of the total funds required and Tea Board provided subsidy of 25 *per cent* of the total cost subject to a limit of ₹0.25 crore in single installment after installation of the approved machinery.
- Subsidy for acquisition of ISO<sup>47</sup>/HACCP<sup>48</sup> and organic certification was extended at 50 *per cent* of the cost of certification subject to a maximum of ₹0.75 lakh.

**Ineffective monitoring of impact/benefits accrued**

**5.7.1** We selected a sample of 19 *per cent* (338 out of 1747) cases, for scrutiny and observed that:

**(a)** In none of the selected cases, the quality of green leaf was verified, though the manufacturing units availing the subsidy were supposed to use only good quality green leaf<sup>49</sup> as per the scheme guidelines. The Ministry stated that these were the general guidelines and it was the responsibility of the factory to ensure that they procure only the good quality green leaf and it would be simply impossible task on the part of the Board to keep a daily watch on the quality of leaf purchased by each and every factory. The reply may be viewed in light of the fact that this was one of the important conditions for disbursement of subsidy, violation of which was to result in

<sup>47</sup> International Standards Organisation.

<sup>48</sup> Hazard Analysis and Critical Control Point (HACCP) is a process control system designed to identify and prevent microbial and other hazards in food production. It includes steps designed to prevent problems before they occur and to correct deviations as soon as they are detected. Such preventive control system with documentation and verification are widely recognised by scientific authorities and international organisations as the most effective approach available for producing safe food. Bureau of Indian Standards (BIS) offers such certification.

<sup>49</sup> Not less than 85 *per cent* of the leaf consisting of two to three leaves + single and two leaf banjies



refund of subsidy along with 12 *per cent* interest. Thus, the intention of the scheme to disburse subsidy for only good quality green leaf was not met in absence of verification mechanism with Tea Board.

**(b)** The Board did not assess the benefits accrued from the activity in terms of price realisation, product augmentation, quality upgradation and cost reduction in manufacturing process, as required under the scheme. Though the Ministry stated that the scheme was evaluated by an independent agency, we observed that case to case evaluation was not done as prescribed under the scheme.

**(c)** Applicants were required to submit annually a document showing performance of the machinery items installed and benefits accrued in terms of value realisation, augmentation, reduction in cost of processing. We found that this was not submitted by any client in respect of Kolkata and Guwahati offices. In respect of Coonoor office, though in four cases, manufacturers submitted the annual statements, the follow-up information was furnished only once and not every year as required. Thus, in the absence of such details, Tea Board had no mechanism to follow up on the impact of subsidy. The Ministry agreed and stated in October 2009 that actions have been initiated for mandatory submission and follow up of performance report after completion of each account year in the current plan period.

**Subsidy paid for ineligible items**

**5.7.2** Tea Board paid subsidy of ₹1.40 crore in 41 out of 338 cases for ineligible items such as conveyor systems, dehumidifiers, AC machine, electronic weighing scale, moisture meter, electrical equipment and fittings etc. No justification for release of subsidy to these ineligible items was placed on record by the Tea Board. The Ministry stated in October 2009 that the list of eligible items is continually updated as and when the industry seeks inclusion of additional items. Tea Board is empowered to amend/condone/relax any norm of the scheme provided it meets the objective of the scheme. However, such condonation/relaxation granted by Tea Board was not found on record in these cases.

**Objective of conversion from CTC to orthodox tea not achieved**

**5.7.3 (a)** 157 (46 *per cent*) out of 338 cases test checked, who availed the subsidy of ₹16.87 crore for upgradation of existing machinery, were solely CTC tea manufacturers. Only they could have converted to orthodox tea manufacturing. They, however, chose to upgrade their existing machinery instead of converting to production of orthodox tea. The Ministry stated that the scheme had only an enabling provision for facilitating the conversion from CTC to orthodox, but it cannot be mandatorily forced on the tea factories as it was a commercial proposition to be decided by the factory managements in consideration of the market conditions. Thus, the objective of conversion from CTC to orthodox tea was not fulfilled in these cases.

**5.7.3 (b)** In one case, a company applied for subsidy in May 2006 for establishing a new orthodox factory and buy Colour Sorter machine from Japan. Though the firm did not procure the said machine till September 2008, Tea Board released a subsidy of ₹20.85 lakh for other machines



<p><b>Objectives of quality certification and awareness not achieved</b></p>	<p>procured and installed prior to submission of the application. The purpose of releasing subsidy was thus not achieved.</p> <p><b>5.7.3 (c)</b> In 15 cases (4 per cent) only, subsidy of ₹5.82 crore was released by Tea Board to encourage blending and packaging.</p> <p><b>5.7.4</b> Of 338 cases, only in 11 cases, subsidy was released for obtaining Hazard Analysis and Critical Control Point (HACCP) certification and organic tea certification. In none of the cases test checked, subsidy was released to promote quality awareness programmes in small growers segment. Thus, the objectives of undertaking quality certification and promoting quality awareness were not achieved.</p> <p>The Ministry did not give any reply for the same.</p>
<p><b>Crash Scheme</b></p>	<p><b>5.8</b> In the year 2001-02, Tea Board implemented Crash Scheme for encouraging correction of imbalance in manufacturing capabilities of manufacturers and production of non-Reconditioned (RC)<sup>50</sup> CTC tea. A payment of ₹8.23 crore was made to 79 factories over Ninth and Tenth Five Year Plan. Our review of 25 cases (32 per cent) showed that Tea Board allowed subsidy for machineries, other than those mentioned in the scheme conditions in five cases. Only three factories committed for conversion and 18 factories obtained quality certification under HACCP/ISO, despite the same being mandatory. Tea Board did not test check and verify quality standards of tea leaves as well as made tea as per the requirement of the scheme.</p>
<p><b>Price Subsidy Scheme (PSS)</b></p>	<p><b>5.9</b> The scheme aimed at giving relief to registered small growers of tea in view of the low price realisation for green leaf. The scheme was operated for four months (with effect from February 2004), depending on the price situation and was to be suspended, if the average price of made tea exceeded ₹55 per kg in South Indian auctions and ₹65 per kg in North Indian auctions for five consecutive weeks. The subsidy payable was an amount equivalent to one fourth of the difference between the ceiling price limit of ₹55 or ₹65 and the monthly average auction price of the region per kg of made tea, subject to the maximum of ₹2.00 for each kg of green leaf. Other features of the scheme were as under.</p> <div data-bbox="431 1476 1386 1642" style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;"><b>Terms and conditions of Price Subsidy Scheme</b></p> <ul style="list-style-type: none"> <li>• Small growers had to submit application in the prescribed form (Form I) to their respective tea factories and the factory was to then consolidate these particulars in respect of all their supplier small growers (Form II) and send the</li> </ul> </div>

<sup>50</sup> In Bought Leaf Factories (BLFs – a factory that procures at least 2/3rd of its leaf from small growers) in South India, high percentage of coarse leave in the raw material (i.e. plucked green leaf) results in low/un-withered leaves, which, during subsequent stages of manufacturing, results in formation of big balls and do not conform to standard manufacture. Such tea does not have any market. BLFs reuse this un-saleable form of tea for re-conditioning along with fresh batch of green leaves. The practice is not desirable as it leads to the manufacture of sub-standard quality of tea. The scheme was introduced to address two aspects to enhance quality viz., fine plucking of tea leaves (Good quality tea is produced from tender and succulent fine leaves i.e., first 2 to 3 leaves from the tip of a shoot) and correction of imbalance of tea-processing line in a tea factory.

same for claiming subsidy to Tea Board.

- Tea Board granted subsidy to the tea factories, which were to be encashed and disbursed to small growers by the factories after obtaining a stamped receipt from each of them.
- The factories were supposed to maintain original cash receipts and record the quantum of payment every month in a separate ledger (Form III) and send monthly certificates (Form IV) to the Board to the effect that payment had been made to each of the supplier small grower as per the sanction order.
- All tea factories were required to properly maintain all the records regarding cash receipts and subsidy payment ledger so as to enable Tea Board officials to verify the same.

During 2004-05 and 2005-06, the Board disbursed ₹21.33 crore under this scheme, of which ₹21.14 crore (99 *per cent*) was disbursed from Coonoor office. We observed that up to March 2005 Coonoor office disbursed subsidy of ₹20.36 crore to 194 Tea Factories who, in turn, disbursed the amount to 47,379 small growers. In this regard, we observed the following:

**Payment made to un-registered growers**

**5.9.1** The Board disbursed subsidy to 47379 growers planting tea in South India through its regional office at Coonoor. We, however, observed that in South India, the total number of small growers registered with the Board was 16583 as of December 2009. As such, the Board released subsidy to 30796 growers who were not registered with the Board.

**Proper record of payment to small growers not maintained**

**5.9.2** Only 31 out of 194 Tea Factories submitted the Form IV giving a declaration regarding disbursement of subsidy of ₹2.32 crore to small growers. Further, records showed that though subsidy was disbursed to 47379 small growers through these factories, acquittance of only 393 small growers for ₹4.60 lakh was found on record in Tea Board, Coonoor. Thus, there was no evidence to prove that the remaining 163 factories had paid the amount of subsidy of ₹20.31 crore as disbursed by Tea Board to the remaining 46986 small growers.

The Ministry stated that the scheme was purely an ad hoc intervention which provided some relief to the small growers to tide over the distress condition and had no impact in bringing out any positive changes. However, the Ministry did not offer any comments on the authenticity of disbursement of ₹20.31 crore to remaining 46986 growers.

**Our Recommendations and response of Tea Board**

**5.10** We recommended in November 2009 that the perceptible increase in production of orthodox tea may be prescribed as a one of the conditions for release of subsidy under the Orthodox Subsidy Scheme. We also recommended for strengthening of the monitoring mechanism for implementation of the QUPD scheme to ensure the augmentation of processing capabilities of orthodox tea. We further recommended that a mechanism may be devised to analyse the reasons for decline in quality even after payment of subsidy for remedial measures.

*Tea Board accepted these recommendations and stated in October 2010 that*

*in the event of Government agreeing for the continuation of the scheme during the remaining period of Eleventh Five Year Plan, the suggestions of Audit regarding introduction of a benchmark for perceptible increase in production would be considered for implementation. Tea Board issued directions in August 2010 to field offices to carry out periodic inspections of factory records to verify actual orthodox tea production. Tea Board proposed the strengthening of inspections of factories by appointment of Factory Development Officers as a new cadre, put in place a mechanism to assess the impact of the subsidy disbursed on the quality of tea and evolve appropriate remedial measures.*

**Conclusion** 5.11 Lower price realisation of Indian tea was primarily due to inferior quality and adverse product mix. The main objective of Orthodox Tea Production Subsidy Scheme was to correct the imbalance in the product mix within the country. There was no increase in production of orthodox tea and actual production of orthodox tea was substantially below the target of Tea Board despite the scheme being in operation for more than four years. The scheme was ill conceived as it did not lay down enhancement in production of orthodox tea as a pre-requisite for eligibility of subsidy and was ineffectively implemented as subsidy was allowed despite non-submission of proper documents/without proper verification of factory records.

QUPD Scheme could not ensure improvement in quality of green leaves, higher price realisation, product augmentation and quality upgradation. The objective of product diversification was also not achieved.

The Price Subsidy Scheme was a one-time scheme and had no long term impact. In the absence of adequate documentary evidence, it is also questionable whether the intended benefit to the small growers actually reached them.

**We are of the view that Tea Board's proposed course of action and timelines for improving quality of tea and product mix, even if implemented, may not yield any positive results unless efforts on these measures are very well structured and supported by appropriate quality of manpower and timely support from the Government.**