

Title : Shri R. Prabhu called the attention of the Minister of Commerce and Industry to the situation arising out of unprecedented fall in price of Green Tea Leaves particularly in Nilgiri Hill District of Tamil Nadu causing hardships to the small tea growers and steps taken by the Government in regard thereto.

MR. SPEAKER: Item No. 35.

Shri K. Subbarayan -- Not present.

Shri R. Prabhu.

SHRI R. PRABHU (NILGIRIS): Sir, I call the attention of the Minister of Commerce and Industry to the following matter of urgent public importance and request that he may make a statement thereon: 01

"The situation arising out of unprecedented fall in price of green Tea leaves particularly in Nilgiri hill district of Tamil Nadu causing hardships to the small Tea growers and steps taken by the Government in regard thereto."

THE MINISTER OF COMMERCE & INDUSTRY (SHRI KAMAL NATH): Hon. Speaker, Sir, in recent years, the prices of tea have generally been depressed. Even though during the year 2004, the average all-India auction price registered some increase after five years of depressed prices, the prices have come down thereafter. The all-India average auction price of tea during January to July 2005 was about Rs.58/- per kg., as compared to the average price of about Rs.60/- per kg in 2004 for the corresponding period. The decline in prices has been more pronounced in the case of South India. The average auction price of tea in South India which was about Rs.49/- in January 2005 as compared to the average price of about Rs.43/- per kg in January 2004, fell to below Rs.36/- in July 2005, after reaching a peak of about Rs.51/- in March 2005.

The small tea growers in Nilgiris district in Tamil Nadu, who account for nearly 40 per cent of the tea production of the district, were also affected as the average green leaf price also declined along with the prices of made tea. The

* Placed in Library, See No. LT 2827/2005

prices of green leaf in other parts of the country have declined to some extent, but the fall has been the highest in the Nilgiris area.

The drop in prices could partly be attributed to the profusion in growth of leaf during the peak cropping season which has led to increased plucking and at the same time to comparatively poor quality of green leaf plucked for supply to the processing factories. It would appear that excess leaf was brought to the factories in expectation of better prices which resulted in the fall. However, it would be worthwhile to note that good quality leaf continues to get reasonably good prices and better quality made tea also fetches good prices despite the decline in average prices.

In order to address the issues of quality, the Tea Board has launched a Quality Awareness Programme in July 2000 in the Nilgiris, and it is being continued till date. This programme is being implemented in collaboration with the UPASI Krishi Vigyan Kendra, the Department of Horticulture, Government of Tamil Nadu.

The Bought Leaf Factories that have been associated with the Quality Awareness Programme have started procuring selectively good quality leaf and pay the growers higher prices. Because of the prices fetched by some of these factories for made tea, the green leaf price paid to small growers in June 2005 by these factories has been as high as Rs.8.50 per kg., for quality leaf, whereas poor quality leaf has fetched half that price [\[KMR7\]](#).

The Nilgiris Small Tea Growers' Association and the hon. Member of Parliament, Shri R. Prabhu have from time to time and have very recently requested that a minimum price be fixed for green tea and also for made tea. It may not be easy to fix one minimum price for made tea as the price depends on differences in categories - Whole, Broken, Fannings and Dust - which again have different grade variations. There are also different manufactured types of tea such as orthodox and CTC. More importantly, again, quality also is significant in the price that a particular tea fetches in the market.

The quality of tea ultimately depends on the quality of green tea leaf plucked and supplied. If a minimum price for green tea leaf is fixed and if the cost of production of made tea, on the basis of the price of the green leaf used as input, is higher than the price buyers are willing to pay, then such manufacturing units may not be able to purchase the green tea leaf at a price already fixed.

In addition to the efforts of the Tea Board to persuade the factories to produce quality tea, it has become necessary to enforce quality norms which conform to standards laid down under the Prevention of Food Adulteration Act. Various steps have been initiated

by the Tea Board in this regard, including action against those factories which have been found to have produced substandard tea.

Sir, I share the concerns of the hon. Members who have raised this issue. The Government is keeping a close watch on the situation.

SHRI R. PRABHU : Mr. Speaker, Sir, I would like to thank you for accepting this Calling Attention Motion, which is going to affect the livelihood of the people of Nilgiris district. Like the hon. Minister has stated, tea is one of the most consumed beverages in this country and also abroad, next only to the consumption of water.

Nilgiris district in South India has the unique distinction of being the first district in South India to start tea production. It goes way back to 1835. For the nearly last two centuries they have been producing tea. They have 45,000 hectares of tea plantations. They produce 70 million kilograms per year. Like the hon. Minister has said, 40 per cent of the tea grown in the Nilgiris is by small tea growers, who own marginal farms from 10 cents to about five acres.

The hon. Minister is aware that for the last seven or eight years, there has been a crisis in the tea industry. As soon as this Congress-led UPA Government came into office, the hon. Minister's first action was to give interim relief to the small tea growers. He gave a subsidy of Rs.2 per kilogram for four months last year.

Sir, the hon. Minister has appreciated the problem of the tea industry and he has summarised it and said that there is excess production and the supply is greater than the demand. Taking advantage of this situation, the bottle leaf factories who process the small growers teas has suppressed the price. The hon. Minister has just stated that good quality tea leaves get a price of Rs.8.50 but you find a factory nearby this factory paying only Rs.2 or Rs.3. This is because the factories which get lesser quality of green leaf reduce the price and the ones getting better leaf also through these factories take advantage and reduce the price to Rs.3. Tea is also sold through auctions there. Ninety per cent of the tea is sold through auctions. In the auctions, there is collusion between the brokers and the buyers and the bottle leaf factories. In the Nilgiris district, brokers give huge sums of money to the bottle leaf factories as loans at higher rates of interest. Because of that, they are able to manipulate the prices in the auctions. The hon. Minister has stated that it would be difficult to get a minimum support price. We have been agitating for this for a long time. But I would like to remind him that the Tea Act of 1953 envisages a minimum support price or a maximum price of tea[R8].

Sir, the Tea Marketing Control Order under which the auctions take place is very clear. Section 30(1)(a) of the Tea Act, 1953 gives the power to the Central Government to fix a minimum or a maximum price for tea sold by auctions or otherwise. I would like the hon. Minister to refer to this and accept fixing a minimum statutory price for the small tea growers of tea leaves, in principle. If he accepts this, in principle, he could make an Expert Group to fine tune with modalities.

I would also request the hon. Minister to ask STC and MMTC to intervene in the auctions and procure tea at a fair price. The Defence makes a lot of purchases of tea, and it is nearly 7 million kilograms per year. Now, the Defence purchases are made by STC and MMTC through agents. Here, I would request the hon. Minister to request MMTC to directly intervene in the auctions and also the Defence services to directly procure tea from the small tea growers in co-factories, which are the co-operative factories in Nilgiris.

Now, the hon. Minister said about quality. Naturally, once the minimum statutory price is fixed, the factories themselves would grade the leaves and within one or two years, the quality would improve. Also, the pruning and rejuvenation of the leaves should take place, and the small growers should be encouraged and given a one-time subsidy of Rs. 7,500 per acre, to have a rejuvenation programme and pruning programme.

Sir, in December, 2004, the hon. Minister was kind enough to call all MPs from the tea growing areas and had a meeting, where a lot of suggestions were put-forth, a lot of decisions were taken, and a lot of decisions are under consideration. One of the important points that I had made at that time was that, I requested the hon. Minister to have a Small Tea Grower Development Agency under the Tea Board to look into the problems of the small tea growers. In my constituency alone, there are 65,000 small tea growers, and they belong to a particular community – a hill tribe community, and their livelihood is only from the small tea gardens.

Sir, we have the office of the Tea Board in Coonoor. Now, the hon. Minister has just stated that the Tea Board is responsible for looking at the quality, and they have a Food Adulteration Act. They are supposed to take action on the tea factories, which do not conform, to these regulations. But unfortunately, there is not enough support staff in the Tea Board in Coonoor. Therefore, I would request the hon. Minister to look into this and see that enough support staff is given for them to be more effective.

Sir, in conclusion, recently, we had made a request to the hon. Minister from all parties in Tamil Nadu including all our 40 MPs. We had requested him to have an interim relief given to the small tea growers. We had requested him to give Rs. 5/- as subsidy per kilogram for, at least, four to five months. But unfortunately, the State Government has jumped in the fray and given a subsidy of Rs. 1.50 per kilogram, and it is asking the Central Government to reimburse that. I would request the hon. Minister, whether he reimburses it or not,

to give an additional subsidy of Rs. 3/- per kilogram for the small tea growers.

I would request him again to kindly consider announcing a statutory minimum support price for the small tea growers.

MR. SPEAKER: Now, two more hon. Members would be permitted, just to put one question each on this Calling Attention.

Shri M.P. Veerendra Kumar, you gave your notice at 10 a.m. today. Please ask only one question.

SHRI M.P. VEERENDRA KUMAR Yes, Sir, I would ask only one clarificatory question.

Hon. Speaker, Sir, Kerala is also affected as other States are affected, due to unprecedented fall in price of green tea leaves. It is a crisis. In Kerala, some of the estates are closed. I have got the information that one Padur plantation is closed for the last two years, and due to which thousands of tea workers are in absolute poverty. Therefore, would the Union Government take up with the Government of Kerala to see why this plantation is closed?

MR. SPEAKER: Mr. Krishnaswamy, your notice was received at 12.42 hours. But because it is almost at the end of the Session, I am allowing you. But in future, it would not be done. One has to give notice, in time. You have to ask only one question, please.

SHRI A. KRISHNASWAMY Thank you, Sir, our leader Dr. Kalignar has also written a letter to the Central Government in this regard. Three to four years back, the same situation arose. At that time, our hon. leader, Murasoli Maran was the Minister of Commerce. At that time, there was a subsidy of Rs. 2 per kilogram. So, I want to know whether that would be announced now also.

MR. SPEAKER: You want a subsidy of Rs. 2 per kilogram.

SHRI A. KRISHNASWAMY : Yes, Sir [\[k9\]](#).

SHRI KAMAL NATH: Sir, hon. Member, who has drawn the attention to this issue from time to time, brought this to my notice. As he has mentioned, I had a meeting with the MPs of that area. I also, for the first time, held a Stakeholders Conference covering all the facets of tea not only for the Nilgiri area also for the areas of Assam, Darjiling and Jalpaiguri also and tried to look at this holistically.

Decline of prices in Nilgiri is only a part of the problem, which the tea industry faces. As I have said many times on the floor of the House, the tea industry has undergone a dramatic change not only because of the gardens getting old, bushes not being rejuvenated but by the new events also that are taking place. Small-tea growers and the production, which has increased in Kenya and Sri Lanka are another phenomena. Kenya and Sri Lanka used to be very small producers of tea. But today, though they are not quite up to India, they have reached very close to the Indian tea production.

Sir, the quality and the prices are determined by the quality of the green leaves. As I have stated in my statement, prices for good quality green leaves have not declined so much. The hon. Member has very correctly pointed out - I appreciate the Member's concern - that the prices have declined. But for quality leaves, prices have not declined like that. Why have they declined? They have declined only because the growers have been plucking more leaves. If they are supposed to pluck two leaves, they have plucked eight leaves. In anticipation of getting a good price, they have plucked even those leaves which should not have been plucked. When they take those leaves to the tea factories, their prices obviously will be much less. This is the real problem. This problem has to be addressed. A Quality Awareness Programme was launched. By virtue of this, we are succeeding in it and making the growers conscious of the fact that plucking

more does not mean getting more money. It may mean more leaves but it does not mean a better price. So, this Quality Awareness Programme lies at the heart of solving this problem.

Sir, the hon. Member has also talked about minimum statutory prices. I must say that - and I cannot refrain from saying this - in February last year, after the announcement of the elections, the Government of the day at that time announced a scheme, which the Central Election Commission did not agree. They announced a subsidy scheme only for four months covering the period starting from the announcement of the elections to the date of the polls. Sir, these measures don't solve the problem. If a support price or a minimum price is given, the tea factories will have to pay that price for bad quality tea also. It would encourage the growers to pluck anything and everything. As I have informed the House, PFA also comes into play here. So, as regards minimum support prices, we will be happy to have a discussion with the hon. Member and the hon. Members, who are concerned with this issue, and also other

stakeholders from Nilgiri.

SHRI M.P. VEERENDRA KUMAR : What about Kerala?

SHRI KAMAL NATH: I am coming to Kerala. Let me first deal with Nilgiri.

To come to a long-term viable solution of this problem, if the hon. Member invites me, I will be happy to go there and sit with all the concerned to find a solution. I do appreciate the concern of the Members that this is a problem and it should be addressed.

Sir, regarding using of agents in these auctions, I will direct the STC and the MMTC to participate in these auctions to see that the objective of these auctions is rightly achieved.

Sir, I will also ensure that the Quality Awareness Programme is trimmed up wherever necessary. If there is any suggestion, I will look into that[[pkp10](#)].

—

13.00 hrs.[[R11](#)]

As far as the Tea Board's support staff is concerned, the hon. Member has drawn my attention to it saying that the Tea Board's support staff is not there, I would say that whatever inadequacy is there, if any, I will have a look at it.

The other hon. Member has said that there are closed factories or closed plantations factories in Kerala. I will take this issue up with the State Government. Whatever the State Government and the Central Government can do in this, as per the suggestion of the hon. Member, if it is workable, we will consider it.

SHRI R. PRABHU : Sir, I invite the hon. Minister to come to my Constituency.

MR. SPEAKER: Okay. The only thing is that he is waiting for your invitation.

SHRI R. PRABHU : Sir, I invite him on the floor of this House.

=====