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EXPORTS

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REPORT  
tea finance committee

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COMMERCIAL PUBLICITY, MINISTRY OF COMMERCE, NEW DELHI

**REPORT**  
of  
**The Tea Finance Committee**



**DIRECTORATE OF COMMERCIAL PUBLICITY**  
**MINISTRY OF COMMERCE, GOVERNMENT OF INDIA**  
**NEW DELHI**

V. V. Chari  
Additional Secretary  
Ministry of Finance.

New Delhi  
December 14, 1964.

Dear Shri Joshi,

I enclose herewith the Report of the Tea Finance Committee which was appointed by the Government of India, Ministry of Commerce, by Resolution No. 24(1) Plant (A)/64 dated 21st July, 1964.

2. The Committee started with the premise that in the context of the growing needs of the Plan steps should be taken for further development of the Tea industry which occupies an important place in the economy of the country, particularly as an earner of foreign exchange. Such development involves substantial outlay on the planting of tea bushes in fresh areas and also on replanting part of the areas now under tea. Expenditure has also to be incurred on other items of development. However, a review of the position of the industry indicated a downward trend in its net return over a period of years and this downward trend had apparently had a damping effect on the incurring of fresh developmental expenditure. The Committee, therefore, came to the conclusion that a financial incentive was called for in order to encourage the industry to embark on a programme of development with a view to achieving the targets which could be expected of it. The Committee considered that this incentive should be in the form of tax reliefs linked with performance in the field of development. After a careful consideration of the relevant circumstances and various alternatives the Committee has recommended that a development allowance should be provided for in the computation of taxable income at the rate of 50 per cent for newly planted areas and 40 per cent for replanted areas.

3. As a measure of export promotion and also having in view the general practice with regard to the levy of excise on commodities exported, the Committee has recommended that a portion of the excise duty on tea which is exported should be refunded.

4. The Committee has also reviewed the arrangements for financial assistance available to the industry and has recommended the setting up of a Tea Finance Corporation to provide medium and long term finance for development and to extend guarantees to commercial banks for the repayment of short term advances made by them on the hypothecation of crops to Tea companies whose title deeds are lodged with the Corporation as security for medium and long term loans.

5. The Committee also reviewed the cases of small growers as well as of economically weak tea gardens. With regard to the former, the Committee's view is that the formation of more co-operatives will be the best method of serving their needs. As regards the economically weak gardens, which are not necessarily small in area, the Committee has recommended the relaxation of some of the conditions applicable to the loans issued by the Tea Board. Further, the Committee has suggested the organisation of an Extension Service for the benefit of such gardens. There are several other recommendations and they are summarised at the end of the Report. In order to implement the recommendations changes in the Central and State laws relating to taxation will be necessary.

6. The Report has been signed by all the members except Shri R. B. Shah, General Manager, United Commercial Bank Ltd. Shri Shah could not attend any of the meetings of the Committee. Shri M. Ahmad, Joint Secretary, Government of Assam, has sent in a note of dissent, a copy of which is enclosed herewith. I have the following clarifications to make on some of the points raised by him in the note of dissent.

### *1. Development Allowance for Replantation*

The Committee's proposal in this regard cannot be regarded as conferring a double benefit. Expenditure on replantation is already being allowed under the existing law because bushes are not treated as depreciable assets. The Report shows how in spite of the admissibility of replantation expenditure as deduction, replantation is not taking place on the scale required. So, some incentive is required for encouraging the taking up of replantation. This incentive is proposed to be given in the form of a development allowance.

## 2. Bengal Entry Tax and Assam Carriage Tax

Shri Ahmed's suggestions were carefully considered by the Committee. As regards compensation for not reimposing the Carriage tax, the Committee felt that this was a matter for consideration by the Central Government and has recorded accordingly in para 68 of the Report. The other suggestion made in the note, *viz.*, that the Committee should recommend that President's assent should be given to allow the State to reimpose the Carriage tax is obviously beyond the scope of the terms of reference which only require the Committee to suggest appropriate measures for giving tax relief where necessary.

7. I wish to record the Committee's appreciation of the valuable assistance rendered by Shri K. M. Kidwai, Director of Tea Development, Tea Board, who acted as the Member-Secretary of the Committee. His technical knowledge of the tea industry was extremely useful to the Committee.

Yours sincerely,

Sd/.

(V. V. Chari)

Shri D. S. Joshi  
Secretary  
Ministry of Commerce  
New Delhi.

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## CHAPTER I INTRODUCTORY

### *The Committee*

The Committee was appointed by the Government of India, Ministry of Commerce, by Resolution No. 24(1) Plant (A)/64 on July 21, 1964.

### *Membership*

2. The Committee was first constituted with the following members:

- |  |            |
|--|------------|
| (i) Shri V. V. Chari,<br>Additional Secretary,<br>Ministry of Finance,<br>(Department of Expenditure), New Delhi.            | • Chairman |
| (ii) Shri P. C. Borooah,<br>Member, Lok Sabha.□  | • Member   |
| (iii) Shri Rameshwar Tantia,<br>Member, Lok Sabha.   | • „        |
| (iv) Shrimati Akkamma Devi,<br>Member, Lok Sabha.  | • „        |
| (v) Shri B. N. Adarkar,<br>Additional Secretary,<br>Ministry of Finance,<br>(Department of Economic Affairs), New Delhi.     | • „        |
| (vi) Shri N. S. Pandey,<br>Joint Secretary,<br>Ministry of Finance (I. & S. Dn.)<br>New Delhi.                               | • „        |
| (vii) Shri A. S. Bam,<br>Chairman, Tea Board<br>14, Brabourne Road, Calcutta-1.  | • „        |
| (viii) Shri H. K. Fitz Gerald,<br>Chairman, Indian Tea Association, Royal Exchange,<br>Calcutta.                             | • „        |
| (ix) The President,<br>United Planters Association of Southern India,<br>Post Box No. 11, Coonoor,<br>Nilgiris, South India. | • „        |
| (x) Shri B. C. Ghose,<br>Indian Tea Planters' Association,<br>Post Box No. 74, Jalpaiguri.                                   | • „        |
| (xi) Shri P. Crombie,<br>Senior Adviser,<br>Indian Tea Association,<br>Royal Exchange, Calcutta.                             | • „        |
| (xii) Shri Vinod Parekh,<br>Managing Director,<br>Messrs. J. Thomas & Co., Calcutta.   | • „        |

(xiii) Rana K. D. N. Singh, Secretary, Finance Department, Government of Assam.	Member (upto 4-9-64)
Shri M. Ahmed, Joint Secretary, Finance Department, Government of Assam.	Member (from 5-9-64)
(xiv) Shri B. C. Kundu, Deputy Secretary, Commerce & Industries Department, Government of West Bengal.	Member
(xv) Shri G. Ramachandran, Joint Secretary, Finance Department, Government of Madras.	• "
(xvi) Shri C. Thomas Secretary, Finance Department, Government of Kerala.	• "
(xvii) Shri B. K. Kacker, Secretary & Treasurer, State Bank of India, Calcutta.	• "
(xviii) Shri V. Sivaraman, Managing Director, Agricultural Refinance Corporation, Amar Building, Second Floor, Post Box No. 363, Bombay-1.	• "
(xix) Shri R. B. Shah, General Manager, The United Commercial Bank Ltd., 2, India Exchange Place, Calcutta. Shr K. M. Krishnamurty ( <i>Alternate Member</i> ), Manager, The Bank of Baroda Ltd., Brabourne Road, Calcutta.	• "
(xx) Shri P. Chentsal Rao Secretary, Federation of Indian Chambers of Commerce & Industry, Federation House, New Delh-1.	"
(xxi) Shri K. M. Kidwai, Director of Tea Development, Tea Board, 14, Brabourne Road, Calcutta-1.	Member Secretary
(xxii) Shri B. K. Dutt, Managing Director, United Bank of India Ltd., 4, Clive Ghat Street, Calcutta.	Member
(xxiii) Dr. D. K. Ghosh, Director (Foreign Exchange), Economic, Finance & Resources Division Planning Commission, New Delhi.	"

Later the following two members were appointed with effect from the dates shown against their names.

(xxiv) Shri Hem Raj, Member Lok Sabha.	7-9-64
(xxv) Shri Satyendra Prasad Ray, Member, Rajya Sabha.	3-10-64



### *Terms of Reference*

3. The Committee's terms of reference were as follows:
- (i) To examine the financial position of the tea industry with particular reference to the requirements of increase in production and exports;
  - (ii) To review the financial assistance available to the industry from the Tea Board and banking institutions and to suggest simplification of procedures relating thereto;
  - (iii) To make recommendations regarding the provision of finances required by the industry;
  - (iv) To examine the structure of taxes on tea and to suggest appropriate measures for giving tax relief where necessary;
  - (v) To make any other recommendation that the Committee may deem appropriate for the development of the tea industry.

### *Committee's Approach and its Method of Work*

4. The Tea industry occupies a very important place in the economy of the country. Exports of tea, which amounted to over 132 crores of rupees in 1963, contribute a substantial part of our foreign exchange earnings. Being a highly labour-intensive industry, it provides employment to about a million workers, whose needs for housing, medical care, foodgrains and other welfare facilities have to be taken care of. Further, ancillary industries and services e.g., plywood manufacture and road and river transport, are supported by this industry. The large population of the country provides a big and growing internal demand for a comparatively cheap beverage like tea. This, together with the demand from abroad, leads to production and sales on a large scale, resulting in a substantial amount of revenue to the Centre and the States. It is but natural that in the context of the growing needs of the Plan we should aim at further development of such an important industry. The Committee has, therefore, viewed the terms of reference as requiring it to locate and make suggestions for overcoming the impediments of a financial nature which retard such development.

5. As the representatives of the industry from various parts of the country were already on the Committee and as the Committee had to submit its report within a short period, it was decided to avoid the usual time-consuming

process of addressing letters to a large number of persons and waiting for their replies before deciding upon the further course of action. The members who were experts in their various fields were requested to set out the points for detailed examination. Memoranda were also received from several Trade Associations etc., with which some of the members themselves were connected. Thus, the Committee received memoranda from the following:

1. The Consultative Committee of Plantation Associations.
2. Indian Tea Association.
3. United Planters' Association of Southern India.
4. Assam Tea Planters' Association.
5. Coonoor Tea Trade Association, on its own behalf and on behalf of the Nilgiris Bought Leaf Tea Manufacturers' Association and the Nilgiris Small Growers' Association.
6. Tea Packeters' Association of India.
7. Bengal National Chamber of Commerce and Industry.
8. D. C. Choudhuri, President, Silchar Chamber of Commerce.
9. Dalowjan Tea Co. (Private) Ltd., Golaghat, Assam.
10. Gonsalves and Gonsalves, Law Chambers, Ootacamund.
11. Dehra Dun Tea Planters Association.
12. Indian Tea Planters Association.
13. Tripura Tea Planters Association.

6. Preparatory study was carried on with the assistance of the Tea Board and the issues thrown up were then discussed in detail at the full sessions of the Committee. Between the sessions of the Committee, further studies were carried out and discussions in smaller groups of the members took place. Some on-the-spot studies were undertaken in the Jorhat Nilgiri and Darjeeling areas—in the first area by the Chairman and Secretary of the Committee, in the second by the Chairman and Shrimati Akkamma Devi, Member and in the third by Shri N. S. Pandey, Member. In all, the full Committee met four times—the first three meetings were held at Calcutta and the final one at New Delhi. In spite of every effort made to expedite the work, it was not possible to finish it before the originally prescribed date and extension by a month had to be sought for.

## CHAPTER II

### **THE TEA INDUSTRY—GROWTH, ORGANISATION AND PRESENT POSITION IN THE WORLD MARKET**

7. Stated in simple terms the problem with which the Committee is concerned is one of increasing the production and export of tea. To appreciate the significance of the terms of reference in relation to this problem, it is necessary to have an idea of the growth of the tea industry from its inception to the present time, the manner in which its operations are organised, its present position in the world market, the programme for the future and the steps necessary for realising that programme.

#### *Growth of the Tea Industry in India*

8. During early part of the 19th century, it was generally known that tea was grown at the North East end of the Brahmaputra Valley by the Singphos, a hill tribe. In 1923 Major Robert Bruce of the Bengal Artillery visited Assam and obtained specimens of this tea plant from a Singpho chief. These specimens were identified as belonging to the same family but not the same species as that of the China plant.

9. After the abolition by Parliament in 1833 of the East India Company's monopoly of the tea trade with China, the Company turned its attention to producing tea in India. In 1834 Lord William Bentinck proposed to the East India Company the formation of a Committee to investigate the possibilities of tea cultivation in India. A team of scientists undertook this work in Assam in 1835 and an experimental tea plantation was established as a result. More units followed thereafter until, in 1838 enough tea was manufactured for being sent to London for sale. This tea was sold in January 1839 at an average price of 20 shilling per lb. This success aroused business interest and in the same year a company was formed in Calcutta with the object of developing a tea industry. A joint stock company was also formed in London at this time with the same object. Almost immediately the companies amalgamated to form the Assam Tea Company. In 1841 this company had 2638 acres under tea in production with a crop of 10,712 lbs. Thus the commercial cultivation of tea in India was under way.

10. Thereafter many tea companies were formed and tea planting spread rapidly, in the Brahmaputra Valley and Cachar in Assam, along the Himalayan foothills known as the Dooars and the Terai and in Darjeeling in North Bengal, in Bihar near Ranchi, in the Kumaon region and in the Dehra Dun Valley of Uttar Pradesh, in the Kangra Valley of the Punjab, and the hill regions of South India in Madras, Kerala and to a lesser extent in Mysore. By 1890 there were 375 thousand acres (152 thousand hectares) planted producing 125 million lbs. (57 m. kgs.) of tea at an average yield of 333 lbs. per acre (373 kg. per hectare). In 1963 the area was 825 thousand acres (334 thousand hectares) and production was 763 million lbs. (346 m. kg.) with an average yield of 924 lbs., per acre (1036 kg. per hectare).

11. The following table gives an idea of the development that has taken place.

Year	Area		Production		Average yield	
	acres	hectares	th. lbs.	th. kg.	lb./acre	kg./hec.
1890 . .	374,930	151,749	124,870	56,641	333	373
1900 . .	523,234	211,664	201,326	91,321	385	431
1925 . .	727,663	294,474	363,507	164,886	499	559
1930 . .	803,532	325,177	391,081	177,393	487	546
1940 . .	832,832	337,035	463,881	210,415	557	624
1950 . .	779,998	315,653	613,354	278,216	786	881
1951 . .	782,998	316,870	629,191	285,399	804	901
1952 . .	785,584	317,916	614,365	278,671	782	877
1953 . .	787,378	318,642	614,598	278,777	781	875
1954 . .	789,441	319,477	651,508	295,519	825	925
1955 . .	791,322	320,238	678,372	307,704	857	961
1956 . .	792,185	320,588	680,609	308,719	859	963
1957 . .	798,850	323,285	685,203	310,802	858	961
1958 . .	803,969	325,356	717,001	325,225	892	1000
1959 . .	806,786	326,494	718,609	325,955	891	998
1960 . .	817,272	330,738	707,854	321,077	866	971
1961 . .	818,486	331,229	781,312	354,397	955	1070
1962 . .	821,685	332,524	764,420	346,735	930	1043
1963 . .	825,422	334,036	762,571	345,896	924	1036

12. The table shows that production has increased as a result of increases both in area and in yield. The area in 1930 was 804 thousand acres (326 th. hectares) but, in 1955 it had dropped to 791 thousand acres (320 th. hec-

tares). During this period an international agreement between the major tea producing countries imposing restrictions on extending the area under tea was in operation. But the yield per acre increased considerably from 487 to 857 lbs. (546 to 961 kg. per hectare) as a result of the replanting of tea and the use of better methods based on scientific research. After the lapse of the agreement in 1955, there was an increase in area as well as yield.

*Organisation of the Industry: Production.*

13. The major tea growing regions of India are in the North East in the States of Assam and West Bengal, and in South India in the States of Madras and Kerala. Small areas of tea are also found in North West India in the Punjab and Uttar Pradesh. Tea is also grown to a lesser extent in Tripura, Bihar, Himachal Pradesh and Mysore. By far the most important regions are the first two mentioned, which are commonly referred to as the North East and South Indian regions. The North East region accounts for approximately 75 per cent of India's tea area and production, whilst approximately 24 per cent is in the Southern region, the remainder being accounted for by the North West Indian region. For purposes of this grouping the small area and production of Tripura is included in the North East region and Mysore in the South Indian region.

14. The following table shows the area and production of tea by States in 1963 grouped in two regions—North and South India. For this purpose the North West and North East are grouped together under North India.

States	Area th. hec.	Production th. kg.
Assam	164	170,085
West Bengal	83	82,914
Tripura	5	2,449
Bihar	0.6	61
Uttar Pradesh	2	696
Punjab (Kangra)	4	1,027
Himachal Pradesh (Mandi)	0.4	91
<b>Total North India</b>	<b>259.0</b>	<b>257,323</b>
Madras	33	44,289
Mysore	2	2,177
Kerala	40	42,107
<b>Total South India</b>	<b>75</b>	<b>88,573</b>
<b>TOTAL ALL INDIA</b>	<b>334</b>	<b>345,896</b>

15. The size of plantations varies from the very small, below 5 hectares (about 12.5 acres), to large ones over 400 hectares (about 1000 acres). In North India, except for Punjab and Himachal Pradesh where there are a number of small estates, the majority of plantations are over 200 hectares (about 500 acres). In South India, there are a large number of small plantations in Madras and Kerala numbering nearly 6600 in all. Most of the bigger plantations are owned by joint stock companies, while some are owned by individual proprietors or partnerships. The small plantations are in general proprietary concerns.

16. The table appearing in page nine shows the total number of tea plantations in the different States grouped according to the area planted (excluding Kangra in Punjab and Mandi in Himachal Pradesh for which details are not available):—

### NUMBER OF ESTATES

	Assam	West Bengal	Tripura	Bihar	U. P.	Kerala	Madras	Mysore
Upto 5 hectares (about 12·5 acres) .	15	6	1	..	2	1,864	4,725	1
Above 5 hectares and below 50 hectares (about 12·5 acres to 125 acres) .	113	10	8	1	16	96	299	5
Above 50 hectares and below 100 hectares (about 125 acres to 250 acres) . . . . .	119	18	23	..	10	29	21	..
Above 100 hectares and below 200 hectares (about 250 acres to 500 acres) . . . . .	149	77	22	..	2	34	29	6
Above 200 hectares and below 400 hectares (about 500 acres to 1000 acres) . . . . .	248	122	1	2	3	66	41	1
Above 400 hectares (above 1000 acres) . . . . .	102	66	..	..	..	22	13	1
<b>TOTAL . . . . .</b>	<b>746</b>	<b>299</b>	<b>55</b>	<b>3</b>	<b>33</b>	<b>2,111</b>	<b>5,128</b>	<b>14</b>

17. The fresh green leaf plucked from the tea bush has to be processed to make it into either black or green tea for the market. This has to be done very soon after plucking or the leaf will be spoiled. For this processing most plantations have their own manufacturing units generally referred to as tea factories. Generally, a minimum of approximately 200 acres of tea is required to support a factory. Small growers who do not have their own factories sell their fresh leaf to others for manufacture or process their leaf by hand. Both these methods generally yield unsatisfactory results. Only the plantations too small to support a proper factory are without one. In North East India there are only a few such plantations and they sell their leaf to nearby bigger plantations. In Kangra and Mandi some leaf is sold to bigger plantations, but as this is traditionally a green tea producing area, many of the small growers make green tea by hand without the use of machinery. The majority of the small plantations, which are situated in South India, sell their leaf to factories generally set up for the purpose of buying such leaf and making it into black tea. These factories are known as "bought leaf factories". A few of these have varying areas of their own planted with tea, but most of them have no plantations of their own and depend entirely on leaf bought from small plantations.

18. In order to provide better manufacturing facilities to the small growers and give them an interest in the manufacture and marketing of their tea, the Tea Board has been sponsoring the formation of cooperatives of small growers with the help of the State Governments, in areas where there are large concentrations of them, such as in South India and in the Punjab. When formed, the cooperatives are technically and financially assisted in setting up centrally located tea factories to process the members' leaf. Two such cooperatives have been formed in Madras and the formation of six more is under consideration. One has been formed in Kerala and one in the Punjab where also the organising of more such cooperatives is under consideration.

19. Manufacture of tea obviously depends on the adequate supply of green leaf. This supply of leaf from the bush is dependent on the climate. Under South Indian climatic conditions leaf grows on the bush throughout the year, though there are seasonal variations in quantity and quality. In North India the growing season is restricted. During the dry cold winter months the leaf ceases to grow, the drier and more severe the winter the longer the



period of retarded growth. Generally, the growing season is from mid-March to mid-December, leaving three months when no tea is produced. Within this growing period also there are considerable seasonal variations in the amount of production and quality. In the hot moist monsoon months leaf grows vigorously. On the plains of Assam and North Bengal for instance, where about 70 per cent of India's tea is produced, approximately 75 per cent of the total crop is produced in the months of August, September and October. During these months, on a peak day a plantation may produce as much as 1 per cent of its total annual production.

20. The following table shows the yield per acre/hectare in the different regions in 1963:—

States	Yield	
	lb/acre	kg/hectare
Assam . . . . .	926	1,038
W. Bengal . . . . .	885	992
Tripura . . . . .	426	475
Bihar . . . . .	102	114
Uttar Pradesh . . . . .	300	336
Kangra (Punjab) . . . . .	243	28
Mandi (Himachal Pradesh) . . . . .	194	27
Madras . . . . .	1,200	1,340
Mysore . . . . .	1,090	1,222
Kerala . . . . .	941	1,05

21. There is considerable seasonal variation in the quality of tea also. Because of varying climatic conditions in the growing season, there are periods when vintage teas are produced which are much sought after by the buyers and fetch high prices. These vintage periods occur at different times of the year in the various regions.

22. The difference in the growing season between North and South India causes important differences in the organisation and set up in the two areas. Where the period of production is shorter, administrative and financial problems are greater. In North India where seasonal production is high in peak periods, factory capacity has to be larger and there is more variation with the season in labour and equipment required, than where production is more evenly distributed. During the period when there is no production, there are no sales and no income. This

makes the plantations more dependent on borrowing to meet expenses particularly in the lean months which include not only the three months of no production, but also the months when there is small production, that is, at the beginning and end of the growing season. For this reason most plantations in North India depend on advances from banks and other financiers for working capital for which they hypothecate the crop.

*Organisation of the Industry: Sales*

23. The manufactured tea is packed in plywood tea chests in the tea factory and despatched to the market auction centres of Calcutta for North East India and Cochin for South India. In these places most of the tea is sold in public auction where it is brought for both export and internal consumption. Amritsar is the market for the tea produced in Kangra and Mandi. A co-operative marketing society has recently been set up in Amritsar and auctions have been started by it. Auctions have also been started in Coonoor for the benefit of small tea growers who are unable to send their teas to Cochin. Tea is also sent by the producers direct to London to be sold there in the auctions. It is also shipped direct to other countries to a lesser extent. Some tea is sold directly from the garden and is not sent to auctions in India or abroad.

24. The following table shows the disposal of Indian tea by various methods in 1963.

	Quantity sold in 1963 (in thousand kg.)	Percentage of total production
At Calcutta/Cochin auctions . . . . .	191,737	55.4
At London auctions . . . . .	95,729	27.7
Direct sales to U. K. and other countries . . . . .	12,334	3.5
Tea sold ex-garden . . . . .	46,096	13.4

25. Central Excise duty is payable by the tea planters when despatching the tea from the factory. In West Bengal there is an entry tax on all tea entering Calcutta other than tea exported directly on a non-F.O.B. basis. This is paid by producers at the point of entry of the teas into Calcutta. In Kerala there is a sales tax to be paid by the producer selling the tea when the tea is sold at the Cochin auctions. In Assam there used to be a carriage tax on tea and jute which is no longer in practice.

26. Tea is transported to the auction centres or ports for exports by various means. In general, North East Indian teas have to cover a much longer distance in their journey to the auction centre and port of despatch (Calcutta) than the South Indian teas which are despatched to Cochin. In North East India tea is sent to Calcutta mainly by rail and steamer. Lesser quantities are sent by road and also by air. In South India most of the tea is sent to the auction centre and port of Cochin by rail and some by road.

*Present Position in the World Market*

27 The quantity and value of tea exported from India during the 5 years 1959 to 1963 are as follows:

Year	Quantity in million kg.	Value Rs. in crores
1959 . . . . .	213.7	126.00
1960 . . . . .	293.1	119.99
1961 . . . . .	206.3	124.25
1962 . . . . .	214.0	124.92
1963 . . . . .	223.5	132.37

The country needs to increase these exports, but to do so is not an easy task especially in view of the competition from other countries. In 1951 India's share of world exports was 45 per cent, Ceylon's 30 per cent and Indonesia's and British East Africa's were 9 per cent and 3 per cent respectively. While Ceylon's share has steadily increased since then to 36.8 per cent India's share declined upto 1960, and then again increased and in 1963 it was 39.8 per cent. The following table shows the share of world exports of the tea producing countries in 1951, 1960 and 1963:

## SHARE OF DIFFERENT PRODUCING COUNTRIES IN TOTAL WORLD EXPORTS

 (In million kg.)<sup>a</sup>

Country	1951	Percentage	1960	Percentage	1963	Percentage
India . . . . .	206.0	45.0	193.1	36.5	223.5	39.8
Ceylon . . . . .	138.4	30.2	185.9	35.1	206.8	36.8
Indonesia . . . . .	40.6	8.9	36.1	6.8	30.3	5.4
Br. East Africa . . . . .	13.6	3.0	30.0	5.7	35.9	6.4
Pakistan . . . . .	21.9	4.8	1.8	0.3	N.A.	N.A.
China . . . . .	12.7	2.8	41.3	7.8	29.5	5.2
Formosa . . . . .	11.3	2.4	11.9	2.2	13.7	2.4
Japan . . . . .	8.7	1.9	9.8	1.9	3.6	0.6
Malaya . . . . .	0.8	0.2	1.8	0.3	1.6	0.3
Other countries . . . . .	3.8	0.8	17.9	3.4	17.5	3.1

## CHAPTER III

### PROGRAMME FOR THE FUTURE

28. For the First Five Year Plan no targets were fixed for production and export of tea. For the Second Five Year Plan, though no targets were set, it was generally assumed that production and exports in 1960 would reach 700 million lbs. and 470 to 500 millions lbs., respectively in the normal course of development. At the end of 1960, production actually exceeded this figure being 708 million lbs., though exports fell short being only 426 million lbs. In that year exports fell to a low level. The following table gives the figures of production and exports from 1957 to 1963:

Year	Production (in m. lbs.)	Exports (in m. lbs.)
1957	685	443
1958	717	506
1959	719	471
1960	708	426
1961	781	455
1962	759	472
1963	760	493

29. For the Third Five Year Plan, a Working Group was set up by the Planning Commission to formulate targets, and these were fixed at 900 m. lbs. for production and at 610 m. lbs. for exports.

30. The performance in 1963—the third year of the Third Plan—has not been of the order required to achieve the targets by the end of 1965. While a record production of 781 m. lbs. was achieved in 1961, production declined in 1962 and was almost stationary in 1963. Thus an increase of 140 million lbs. in the remaining two years of the Third Plan would be required to achieve the target of 900 million lbs. However, though exports showed an encouraging upward trend from 1960 as a result of the various steps taken by Government, the attainment of the target is unlikely.

31. In 1963, a Sub-Group on tea of the Working Group on Plantation Crops was set up by the Planning Commission to recommend targets for production and exports of tea

for the Fourth Five Year Plan. In view of the results in the first three years of the Third Plan as described, the Group recommended a downward revision of the Third Plan targets to 830 million lbs. for production and 530 million lbs. for export. Starting from this base, the Group recommended for the Fourth and Fifth Plans the following targets:

Year	Production (m. lbs.)	Exports (m.lbs.)
Fourth Plan . . . . . 1970	1,000	650—670
Fifth Plan . . . . . 1975	1,200	810—830

The achievement of these targets will require considerable effort and a much higher rate of progress than has been achieved in the past few years.

32. The volume of exports naturally also depends on the development of foreign markets and the creation of greater demand for Indian tea. This is being carried out by the Tea Board with the cooperation of the trade. A vigorous and expanding publicity campaign is being carried out both to retain and expand traditional markets for Indian teas as well as to find new markets. This is not an easy task. Tea as a beverage faces stiff competition from other beverages all of which are vigorously promoted by the interests concerned. In addition, Indian tea has to compete with tea from other countries, notably Ceylon. But efforts for promotion alone, however vigorous, will not give the required levels of export unless production is also increased. This is particularly so for India which has a large internal market with potential for increase in future. The position of Ceylon, our major competitor, is quite different in this regard. Simultaneously, with increases in production, it is essential to improve the overall quality of Indian tea though, of course, the top quality Indian teas which are comparatively smaller in quantity are unmatched in the world and find ready markets.

33. From the foregoing it is obvious that while the country has progressed in the production and exports of tea, a stage has been reached where the industry has to face severe competition in the world market. In order that India may be able successfully to withstand this competition, without neglecting at the same time the needs of the domestic market, she must now aim, *inter alia*, at higher production. The steps to be taken for increasing the production are discussed in the next chapter.

## CHAPTER IV

### TEA DEVELOPMENT

34. Tea is grown either from seeds or cuttings which are first placed in nurseries. After a period varying from one to two years depending on local conditions, the young plants are transplanted to the plantation proper. Though the plants are actually one or two years old, the age of the tea always has reference to the date of this transplanting. Thus an area of tea planted in November 1964, with seedlings from a nursery sown with tea seeds in November 1963, will be referred to as only one year old tea in November 1965. But the plants are actually two years old from seed. From the first growing season in the field, the young plants grow and produce leaf. Depending on local conditions and individual plantation practice, the tea may be plucked in the initial period to varying degrees, but only with a view to controlling its growth and promoting the proper formation of the bush. The quantity harvested during this period is negligible and would not alone justify the cost of plucking. For the first three years the tea is considered immature and requires special attention in all aspects of tea cultivation, at a greater expense than other areas of tea. Thereafter, though still not yielding fully, the tea is considered mature, and receives generally the same care and maintenance as the rest of the plantation. When referring to the cost of new planting, all expenditure up to the end of this period of special care is included. This cost varies with local conditions and is higher in the hills than in the plains, due to the terrain and slower growth of the tea. About half of the total cost of new planting is spent on the work upto the completion of transplanting of the young plants from the nursery to the field. The remaining half is spent on the special care and maintenance for the first 3 years of the young plantation.

35. To achieve the desired rate of expansion for the Fourth Plan, the Working Group has recommended that the industry should undertake the planting of new\*\*

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\*\*NOTE :—The planting of new tea on additional land is termed as “new extension” and the planting of new plants in the same soil from which the old ones have been removed is termed as “replanting”. The term “replacement” is used when new tea is planted on additional and in lieu of an equal area of old tea which is to be uprooted. This was of importance when restrictions were imposed under the International agreement, as it allowed the planting of tea on new soil without extending the area under tea. With the lapse of the agreement in 1955, it is of no significance as extending the tea area is now not only freely allowed but actively encouraged.

extensions of tea at the rate of 3 per cent annually of the existing area under tea, that is 24,000 acres, as in 1963 the area under tea was 8,25,422 acres. This will mean an increase in the total area of tea by 1,20,000 acres over the Fourth Plan period. It has to be noted, however, that in practice some tea gardens may not have sufficient suitable additional land for the full programme of extensions. In some cases also, some replanting may be necessitated by the existing of areas of over-age and uneconomic bushes. It would therefore be in the interests of the plantations and the country if adequate replanting is also encouraged. In recognition of the need to keep up with replanting while ensuring the quickest possible increase in production, the Group recommended for the Fifth Plan period new planting of the same order, but half of it as extensions and half as replanting, i.e. 12000 acres each annually.

36. During the recent past the rate of new planting has been much less than this. Over the five years ending 1962-63, the industry has carried out on an average, extensions, replacements and replantings at the rate of 62 per cent, 14 per cent and 56 per cent respectively. The following table shows the annual new planting done from 1949-50 to 1962-63 as percentages of total area under tea:

Year	Extensions	Replacements	Replantings
1949-50	1.00	0.16	0.43
1950-51	0.50	0.09	0.48
1951-52	0.75	0.09	0.48
1952-53	0.68	0.06	0.37
1953-54	0.42	0.08	0.26
1954-55	0.73	0.17	0.44
1955-56	0.20	0.08	0.43
1956-57	0.30	0.15	0.74
1957-58	0.60	0.23	0.74
1958-59	0.65	0.18	0.74
1959-60	0.70	0.16	0.57
1960-61	0.52	0.10	0.54
1961-62	0.56	0.12	0.48
1962-63	0.67	0.12	0.47
Average for last 5 years	0.62	0.14	0.56



37. New planting is the most important activity to be undertaken for the purpose of achieving the Plan targets. This has not been taking place on the scale required, in spite of emphasis placed on it, and the various measures of assistance given to the tea industry by the Tea Board. The urgent need for new planting is apparent from the table at page 20, which shows how aged the bushes are in a large part of the existing area of tea:

AGE GROUPS OF TEA BUSHES AS ON MARCH 31, 1963

State and District	Below 10 years (Hects.)	10 to 25 years (Hects.)	26 to 60 years (Hects.)	Above 60 years (Hects.)
<i>Assam—</i>				
Darrang . . . . .	3,937·39	4,152·69	13,751·04	4,319·43
Goalpara . . . . .	260·76	412·69	1,008·53	7·69
Kamrup . . . . .	260·88	360·90	1,235·13	260·52
Lakhimpur . . . . .	9,722·65	10,835·42	23,290·64	6,038·42
Nowgong . . . . .	993·45	1,665·14	2,042·50	864·01
Sibsagar . . . . .	6,574·26	9,019·49	20,061·26	7,783·04
<b>TOTAL—ASSAM VALLEY</b>	<b>21,749·39</b> (16·9%)	<b>26,446·33</b> (20·5%)	<b>61,389·10</b> (47·6%)	<b>19,273·11</b> (15·0%)
Cachar . . . . .	2,899·49 (9·6%)	3,157·00 (10·5%)	13,541·01 (44·9%)	10,574·99 (35·0%)
<b>TOTAL—ASSAM</b>	<b>24,648·88</b> (15·5%)	<b>29,603·33</b> (18·6%)	<b>74,930·11</b> (47·1%)	<b>29,848·10</b> (18·8%)
<i>West Bengal—</i>				
Darjeeling (including Terai) . . . . .	1,790·35 (6·5%)	1,836·69 (6·7%)	10,625·50 (38·7%)	13,169·95 (48·1%)
Dooars . . . . .	8,980·13 (16·5%)	5,602·56 (10·3%)	24,548·18 (45·3%)	15,119·24 (27·9%)

Cooch Behar . . . . .	51·22	148·11	..	..
<b>TOTAL—WEST BENGAL</b> . . . . .	<b>10,821·70</b> (13·2%)	<b>7,587·36</b> (9·3%)	<b>35,173·68</b> (43·0%)	<b>28,289·19</b> (34·5%)
Triupura . . . . .	565·89	607·93	3,932·34	..
Bihar . . . . .	1·00	1·20	298·07	230·89
Uttar Pradesh . . . . .	4·91	4·05	827·04	1,216·28
<b>TOTAL—NORTH INDIA</b> . . . . .	<b>36,042·38</b> (14·5%)	<b>37,803·87</b> (15·2%)	<b>115,161·24</b> (46·3%)	<b>59,584·56</b> (24·0%)
Kerala State . . . . .	2,161·21 (5·4%)	2,396·06 (6·0%)	28,442·75 (71·6%)	6,743·09 (17·0%)
Madras State . . . . .	5,039·96 (15·3%)	2,121·35 (6·4%)	23,000·89 (69·9%)	2,761·21 (8·4%)
Mysore State . . . . .	30·25	16·38	1,732·52	..
<b>TOTAL—SOUTH INDIA</b> . . . . .	<b>7,231·42</b> (9·7%)	<b>4,533·79</b> (6·1%)	<b>53,176·16</b> (71·4%)	<b>9,504·3</b> (12·8%)
<b>TOTAL—ALL INDIA</b> . . . . .	<b>43,273·80</b> (13·4%)	<b>42,337·66</b> (13·1%)	<b>168,337·40</b> (52·1%)	<b>69,088·86</b> (21·4%)

Note: Figures in brackets indicate percentage and total area under tea in respective District, State or region, as the Case may be.

It is clear that there is a general reluctance to undertake new planting on the scale required. It is necessary therefore to consider ways of overcoming this and providing a healthy impetus to a programme of new planting.

### *Intensive Cultivation*

38. Increased production can also be achieved by obtaining greater yield from existing tea areas. Better yields from existing tea areas can be obtained by the use of better methods of cultivation and management. Advances in this respect are constantly being made by research. This aspect of increasing production is important particularly to fulfil Third and Fourth Plan targets, as the increased rate of new planting to be undertaken will not have any appreciable impact on production until the Fifth Plan.

39. There are, of course, several things, a good management can and should do to improve the yield of existing tea. The more important of these are—(i) adequate pest and disease control, (ii) full use of fertilisers, (iii) proper use of labour to carry out all essential agricultural operations correctly, (iv) irrigation in the drought-affected areas.

### *Pesticides Etc.*

40. Tea suffers from a number of pests and diseases. A few of these are widespread and cause considerable damage and loss of crops. Research has developed methods of control, but to carry these out, spraying machines, spray chemicals and sufficient labour are required.

### *Fertilisers*

41. Sulphate of Ammonia is the most suitable chemical fertiliser to provide nitrogen to tea. The recommended dose varies according to the condition of the soil and the bush and may be anything from 60 to 200 lbs. of nitrogen per acre annually. Hundred lbs. of nitrogen per acre can be taken as the average rate of application.

42. For the proper development of young tea, a balanced mixture of nitrogen, phosphorus and potash in a 1:2:2 ratio is required for at least the first 3 years. This is applied at the rate of 80 lbs. of nitrogen per acre, giving 160 lbs. per acre of potash and phosphorus each. Full use of this fertiliser is of great importance if the 24000 acres to be planted annually is to be developed properly. Fertiliser mixture is applied only to the root

area of the young tea to avoid waste. Very young plants do not occupy all the surrounding land, and therefore mixture is not required for the entire planted area of young tea. The root area varies with the age and development of the particular young tea. But it can be assumed that fertiliser mixture will be applied to one-third of the area in the first year, to one-half in the second and to the full area in the third year. In subsequent years the tea will receive the usual sulphate of ammonia. The acreage to be applied with young tea fertiliser mixture, assuming that the full planting programme starts in 1966, will then be as follows:

<i>Year</i>	<i>Area in acres</i>
1966	8000
1967	20000
1968	44000

The area will continue at 44,000 acres annually until the programme ceases.

43. In South India similar mixtures have been found necessary for mature tea, for full yields and are applied at high nitrogen ratios.

#### *Labour*

44. For proper management and full productivity of a tea plantation, efficient labour is essential. The work in the field of growing tea and harvesting its leaves is practically all done by manual labour. Little significant mechanisation has taken place because of the nature of the work. Some mechanisation has taken place in the factory where the green leaves are processed into black tea. But this has had little impact on the total labour requirements as the number of workers required in a tea factory is relatively small when compared to the number required in the field. In fact, with the emphasis on better methods of cultivation and the higher yields from new tea of improved varieties, the labour requirements tend to rise. On a well managed tea plantation, an average of one worker per acre is required. In addition, for certain extra works and at the peak of the season, extra temporary labour has often to be employed.

45. The cost of labour is rising. Wages have steadily increased, as have the costs of the fringe benefits provided to them such as subsidised foodgrains, firewood, sickness and maternity allowances, bonus and provident

fund. Tea plantations also provide houses for their workers. The plantations Labour Act, 1951 imposes a statutory obligation on the plantations to provide house of prescribed specifications for their labour and further it requires that such houses should be provided at the rate of 8% per annum of the total required for the plantation. The specifications have been drawn up by the State Governments and they, as well as the cost of construction, vary from State to State. Most of the plantations have not kept up to the required programme of construction on the plea of lack of finance.

46. It has been estimated that the total number of houses required for the plantation workers is 4.7 lakhs. The annual rate of construction should, therefore, be 36000 i.e., 8 per cent of 9,57,000. With the projected increase in the planted area, there will arise a need for more houses.

#### *Irrigation*

47. To flourish, tea requires ample and well distributed rainfall. Periods of drought are harmful to the health of tea and cause a long term damage as well as immediate loss in crop. The adverse effect of this on the tea can be overcome by irrigation, effectively provided by the method known as overhead sprinkler irrigation or artificial rain. Irrigation is necessary in drought-affected areas to obtain full yields from existing tea and for the quick establishment of healthy young tea on which future increased production depends. This is so both for the economy of the plantations as well as for India's export drive.

48. It has been estimated that approximately 300,000 acres of tea is drought-affected to a degree that would make the installation of irrigation profitable. Assuming that for a proper effect on Fourth Plan production, a programme to complete the installation of irrigation in six years at the outside is started in 1965, 50,000 acres will have to be covered annually. Applying the ratio 300,000 acres bear to the total area under tea to the 24000 acres of new tea to be planted, it may be assumed that at least 9000 acres of new tea will have to be covered annually also. This makes a total of 59000 acres or, say, 60,000 annually. The cost of obtaining the water supply for this irrigation will vary according to circumstances. Where surface water is available there may be little extra cost. At the other extreme, where tube wells have to be installed the cost may be high. In between are varying circumstances and costs.

### *Tea Factories and Machinery*

49. The remaining important items for development are the manufacturing facilities. For the manufacture of the green tea leaves into black or green tea, a factory and tea machinery are required. As most tea estates are without public power facilities, engines to provide the power to run the factories are also required in addition to the manufacturing machinery.

50. With increases in crop, the manufacturing capacity of the tea gardens will have to be expanded by building new factories or extending existing ones and by installing additional machinery.

51. In addition to this expansion, a large replacement and modernisation programme is essential both for economy and improving the quality of tea. Old inefficient machines have to be replaced. Considerable improvement in the design of tea machinery is taking place as a result of research. These machines will be more economical to work and will produce better quality tea. It will be increasingly necessary to replace machines of old design, even though comparatively new and in good condition, by the improved machines.

52. Thus, in order to increase the production, planting in new areas and replanting the old areas will have to be resorted to on a large scale. Further adequate outlay is required in the plantations with a view to securing the benefits of intensive cultivation. However, the statistics which have been furnished earlier show that there is a disincentive to take up planting or replanting on the scale required.

53. Even as regards steps for securing intensive cultivation, it would appear that the outlay is not of the requisite order and it has been suggested that the progressive deterioration of the resources position is mainly responsible for this. The question whether the financial picture presented by the industry is such as to make it desirable to offer incentives for encouraging expenditure on new plantations and improvements in cultivation is considered in the next chapter.

## CHAPTER V THE FINANCIAL POSITION

54. The first term of reference which will now be considered reads as follows:

*"To examine the financial position of the tea industry with particular reference to the requirements of increase in production and exports".*

55. The Consultative Committee of Plantation Associations has expressed the opinion that "the reason why the industry has found it necessary to ask Government for assistance is because it cannot finance expansion and increase exports from its own resources as it did in the past". In a study recently carried out by it in connection with a Wage Board enquiry it found that in North India, a significant number of companies had been making losses, the percentage of such companies varying from 11·83 per cent in Assam Valley to 38·46 per cent in Darjeeling. Such a high "less ratio" is, in the opinion of the Consultative Committee "indicative of the very difficult financial position in which the industry finds itself today." The Consultative Committee has sought support for this view by referring to the following figures of net profits calculated for "Standard Tea Companies" in different districts in North East India:—

Net profit :	Unit	Assam	Cachar	Darjeeling	Dooars
Rupee Companies	Lakhs of rupees	2·44	—0·53	0·74	1·91
Sterling Companies	"	2·19	—0·53	0·68	1·75
7 % of capital plus 4 % of Reserves	"	3·82	1·13	0·66	2·73
Cost of 3% exten- sions	"	1·39	1·57	0·99	1·84

The Consultative Committee concludes from all this "that the net profits are not even sufficient for a return on capital of 7 per cent and on reserves of 4 per cent as recommended by the Bonus Commission; and do not leave anything for the 3 per cent extension of acreage under tea as recommended by the Working Group on Plantation crops, and for other statutory obligations under the Plantations Labour Act".



56. As regards the plantations in the South, the United Planters' Association of Southern India has described them as having achieved "progress without profit" and has expressed the view "that while more resources were put to work in the industry, production and yield per acre were increased and gross profits were markedly improved, the net result as earning to the producer was not only much less but steadily diminishing". In support of its case the UPASI has submitted an analysis of results of ten South Indian tea companies "selected with a bias in favour of above average units in the industry". The table that appears in page 28 has been compiled from the statement furnished by the UPASI:

Year	Area (acres)	Production lbs. acre	Yield per acre lbs.	Gross Sales Rs.	Gross Profit Rs.	Taxation Rs.	Net profit Rs.	Dividend paid Rs.	Retained profit Rs.	Profit after tax as % of	
										Gross sales	Net worth
1950	14,840.22	10,833.944	807.5	2,14,37,583	79,42,453	19,36,232	60,06,271	36,92,544	23,13,277	28.0	24.1
1951	14,973.93	11,958.135	889.5	2,38,16,187	82,06,442	19,56,240	62,50,202	39,00,504	23,94,298	26.2	22.8
1952	14,817.15	11,598,070	866.6	2,15,19,574	52,26,692	10,58,111	41,68,581	34,56,209	7,12,372	19.4	14.9
1953	14,467.87	12,202,684	930.5	2,63,47,989	96,16,627	29,94,073	66,22,554	43,79,449	22,43,105	25.1	22.0
1954	15,452.78	13,294,060	945.5	3,47,06,860	142,20,458	51,39,504	90,80,954	56,06,977	34,73,977	26.2	26.5
1955	15,617.72	13,673,724	978.7	3,05,69,916	88,26,897	35,05,400	53,21,497	41,36,405	11,85,092	17.4	14.7
1956	15,502.26	14,843,855	1060.4	3,49,65,567	107,42,970	54,88,200	52,54,770	40,84,292	11,70,478	15.0	14.0
1957	15,598.96	17,352,306	1232.8	3,74,10,784	76,80,319	40,26,314	36,54,005	34,55,278	1,98,727	9.8	9.5
1958	15,351.49	16,892,946	1208.7	3,80,83,674	71,86,997	34,17,924	36,89,073	34,17,797	2,71,276	9.7	9.4
1959	15,415.84	16,289,120	1152.8	3,82,18,720	77,68,784	36,46,669	41,22,115	36,21,673	5,00,442	10.8	10.0
1960	15,443.09	18,430,528	1303.6	3,31,41,848	109,14,126	51,93,919	57,20,207	41,76,681	15,43,526	13.2	13.7
1961	15,450.19	18,042,320	1265.0	4,08,76,259	87,08,598	41,28,161	45,80,437	37,18,513	8,61,924	11.2	11.0
1962	15,433.11	202,842,670	1421.0	4,48,09,670	89,78,484	48,70,384	41,08,103	36,98,877	4,09,226	9.2	9.7

On the basis of the information furnished by it regarding the results of the ten companies, the UPASI has contended that while the area under tea has increased by 4 per cent during the twelve years ending 1962, production has increased by 86·9 per cent and yield per acre by 76 per cent. Gross sales have increased from Rs. 2·14 crores to Rs. 4·48 crores. But, gross profits have increased by only 13 per cent "indicating the serious inroads made by increased production costs". Further, the net profit after taxation has dropped from Rs. Rs. 60 lakhs to Rs. 41 lakhs indicating the substantial increase in taxation. As dividend had been maintained at practically the same level the net profit retained after taxation has gone down considerably. (There was an exception in only one year *viz.*, 1954).

57. The Consultative Committee had in their first memorandum considered the case of only a "standard company" one in each of the four areas, Assam Valley, Cachar, Darjeeling and Dooars. The standard company was taken to be one whose performance was the average of a number of selected concerns. It was, however, requested to furnish details regarding a fair number of good companies. The reason why companies comparatively better off were taken for study is obvious. In dealing with the first item of reference the Committee's objective was to judge whether the financial picture presented by the companies suggested that incentives were called for in order to stimulate them substantially to increase their production and exports. If the results of the examination of even the better off companies showed that some financial incentive was necessary, it would be unnecessary to examine in detail the cases of other companies. The Consultative Committee furnished information relating to 21 of the largest companies in North East India which have generally been considered as good going concerns. In the case of these companies the profits after tax expressed as a percentage of net worth has in general gone down during this period as shown in the following table:—

PROFITS AFTER TAX AS PER CENT OF NET WORTH

Company	1950	1953	1960	1961	1962	1963
A . . . . .	3·49	13·05	12·88	6·24	10·90	1·99
B . . . . .	11·89	12·60	16·81	12·49	13·14	11·01
C . . . . .	12·55	11·40	9·48	13·88	9·99	5·45
D . . . . .	11·22	10·84	Loss	1·46	2·34	Loss
E . . . . .	7·34	8·84	6·23	8·18	4·07	1·85
F . . . . .	11·80	13·94	3·11	3·01	4·71	4·21

Company	1950	1953	1960	1961	1962	1963
G	36.10	31.65	7.96	5.66	9.84	9.84
H	18.75	15.88	11.60	11.03	10.46	5.14
I	28.16	35.31	17.54	11.22	10.53	7.17
J	9.12	12.14	16.82	4.88	4.55	Loss
K**	7.83	4.97	28.95	17.69	24.57	7.74
L	30.00	48.50	12.00	7.00	8.00	6.00
M	21.88	31.77	3.37	3.91	1.39	2.47
N	9.68	9.08	9.99	5.24	5.03	Loss
O	14.73	20.96	8.45	0.26	5.83	2.01
P	35.59	29.35	11.50	10.73	9.67	8.10
Q	7.30	38.90	17.80	10.10	9.70	2.60
R	15.21	11.26	12.91	9.51	4.32	N.A.
S	7.73	14.80	4.62	5.89	3.82	N.A.
T	11.48	44.72	Loss	3.40	Loss	N.A.
U	14.70	13.17	16.90	9.24	5.21	8.53

(\*\* The case of K calls for an explanation. In view of previous accumulated losses no tax was paid during 1960, 1961 and 1962, with the result that the "profits after tax" for these years amounted to a comparatively high percentage of the net worth.)

58. Incidentally, an analysis made by the Reserve Bank of the working of 147 selected medium and large public tea companies shows that profits after tax expressed as a percentage of net worth has gone down from 9 per cent in 1960-61 to 5.9 per cent in 1962-63. Expressed as a percentage of paid up capital it has gone down from 14.6 per cent in 1960-61 to 10.2 per cent in 1962-63. Thus the net profits remaining after payment of tax expressed as a percentage of capital has gone down. This would support the representation of the industry that there is a disincentive to embark upon fresh developmental activity. This claim of the industry derives support from the following statement which shows, that while cost and sale proceeds per pound have gone up between 1950 and 1963, the increase in cost has been so high that the profit per pound has gone down.

Company	% increase in cost per lb.	% increase in sale proceeds per lb.	% increase decrease in profit per lb.
A	33.62	34.44	55.56
B	57.95	41.06	-10.54
C	89.81	45.27	-75.00
D	74.46	37.20	Loss
E	100.00	60.00	-50.00
F	70.00	38.64	-83.33
G	60.39	35.25	-27.65
H	91.41	54.71	-45.00

Company	% increase in cost per lb.	% increase in sale proceeds per lb.	% increase decrease in profit per lb.
I	56·67	35·40	—26·83
J	86·68	34·62	Loss
K	59·00	39·30	—30·60
L	93·00	16·00	—53·00
M	121·90	55·77	—30·39
N	88·00	52·97	—92·14
O	60·54	34·23	—90·32
P	84·35	38·46	—59·26
Q	52·00	39·00	—67·00
R	74·55	49·76	—19·96
S	72·44	61·59	13·91
T	64·49	21·34	Loss
U	70·00	54·00	0·00

From the foregoing analysis, the Committee has come to the conclusion that there is a downward trend of the net return over a period of years and this downward trend has apparently had a damping effect so far as the incurring of fresh developmental expenditure on new plantation is concerned. A financial incentive is, therefore, in the opinion of the Committee, called for in order to encourage the industry to embark on a programme of development with a view to achieving the targets expected of it.

## CHAPTER VI

### FISCAL INCENTIVES

59. Though the tax structure has been made the subject of the fourth term of reference, it is proposed to deal with it at this stage, immediately after having arrived at the conclusion that a financial incentive is called for, because the incentives proposed by the Committee mainly take the shape of tax reliefs. The fourth term of reference reads as follows:

*“To examine the structure of taxes on tea and to suggest appropriate measures for giving tax relief where necessary.”*

60. The representatives of the industry asked for a substantial reduction in excise duty as high as 71·69 per cent the amounts thus saved being left with the industry itself for being utilised for development purposes. In addition to this they wanted that the whole of the expenditure on extensions and replacements should be treated as revenue expenditure. Alternatively, a scheme was also put forward for allowances enabling the concerns to deduct in the computations of their taxable incomes specific amounts per pound of tea produced. Taxes saved by these deductions would, it was suggested, compensate for the depletion of the industry's resources in the past and also enable it to spend money on replantation, extension etc. All the representatives also asked for a refund of excise duty on exported teas. The Committee after careful consideration has arrived at the conclusion that the incentives should be related to performance in the field of development and to actual exports.

#### *Tax on Income—Central and State*

61. Plantation which own their factories are taxed by the Centre as well as the States. Whole income of such plantations is first computed under the provisions of the Indian Income Tax Act and 40 per cent thereof is then treated as non-agricultural income liable to the Central tax. The balance of 60 per cent is liable to the State Agricultural Income tax. The rates for State agricultural Income tax have in recent years been increased from time to time and in the

States of Assam and Kerala, they have in certain slabs of income reached levels higher than those of the Central tax. One grievance of the industry against agricultural income tax is that they have reached high levels and that in any case they should not have gone higher than the Central rates. On the quantum of tax, the Committee's view is that the rate of tax on the agricultural portion of the composite income should not exceed the rate of tax on the non-agricultural portion of it.

62. In computing the income the cost of new extensions or replacements is treated as capital expenditure, i.e. expenditure on these items is not deducted in arriving at the taxable income. The expenditure on replantation, i.e. the expenditure involved in uprooting the old bushes and replanting fresh bushes in the uprooted areas is however treated as revenue expenditure. It has repeatedly been urged that the fact that the expenditure on extensions and replacements is not deducted in computing the taxable income of a plantation has been a great deterrent to the incurring of such expenditure. There has, therefore, been a persistent demand that in order to encourage fresh planting the expenditure incurred thereon should be allowed to be deducted in computing the taxable income. This would mean a radical departure from the well established view supported by legal decisions that initial expenditure on items like new planting cannot be treated as revenue expenditure. After careful consideration of the whole matter the Committee has come to the conclusion that the best way of dealing with the expenditure on planting in new areas would be to provide for a development allowance equal to 50 per cent of such expenditure in computing the income of the plantation for the purposes of Central Income Tax and State Agricultural Income Tax. The expenditure on new planting for the purpose of this allowance will include—(1) the cost of preparing the land; (2) the cost of seeds/cuttings and nurseries; (3) the cost of actual planting; and (4) the cost of upkeep upto and including the fourth year commencing from the year in which a start is made for the preparation of the land.

63. It would appear that while generally the expenditure relating to the period of upkeep is being allowed as a revenue deduction some assessing officers have disallowed such expenditure. The Committee recommends that Assessing Officers be instructed to deduct such expenditure in computing the taxable income.

64. As regards replantation, the law as it stands allows the deduction of the whole of the replantation expenditure as revenue expense. Such a procedure is in fact beneficial to the industry in respect of its old plantations. Many of these are very old and the actual expenditure originally incurred on planting must have been comparatively small. When these areas are replanted the owners will benefit by being allowed a higher cost as revenue expenditure. However, as stated earlier, there is a disinclination to take up replantation even where in the long term interest of the concern it is necessary to do so. The industry has been showing disinclination on two grounds, viz., that its resources are not sufficient for the purposes of replantation and that it cannot afford a further deterioration of its resources by losing the benefit of obtaining whatever little it gets from the old bushes the inevitable result in the short run of a programme of replantation. The Committee feels therefore that the plantations should be given an incentive to undertake replantation in the long term interest of the industry. It, accordingly, recommends that a development allowance may be provided in the case of replantation also, but at the rate of 40 percent of the cost of replantation computed in the manner recommended above for planting in new areas. Though the Sub-group on Tea has visualised only extensions in the Fourth Plan the Committee is of the view that where replantation is necessary, it need not be postponed to the Fifth Plan and the incentive provided for replantation should therefore operate side by side with the incentives for extensions.

65. The scheme of relief based on the expenditure on new planting, whether in the old or in new area, should provide adequate safe guards against uneconomic expenditure. The Committee suggests that for the purpose of calculating the relief the cost of planting should be restricted to a maximum of Rs. 4,000 per acre in the plains and Rs. 5,000 per acre in the hills. (These figures are lower than the corresponding figures of Rs. 4,500 and Rs. 5,500 respectively furnished by the Consultative Committee.) Before a new planting programme is taken up notice thereof should be given to the Tea Board. The claim for relief should ultimately be supported by a certificate given by at least two members of a panel of planters drawn up by the Tea Board to the effect that the new planting has been done. The Tea Board or any other suitable agency from time to time should carry out inspections and verify whether the planting has been properly done.



## INCENTIVES FOR EXPORTS

*(a) Refund of Excise Duty*

66. In the year 1962-63, excise duty on exported tea was refunded at the rate of 15 p. per kg.—the excise duty applicable to tea factories in Zone I. In the Finance Act of 1963 the export duty which was then being levied at 25 p. per kg. was abolished and at the same time the refund of excise duty on exports was withdrawn. Simultaneously a surcharge of 20 percent was added to all excise rates. The net result of all these changes was a slight increase in the over-all liability to excise duty. The Industry feels aggrieved that it is only with regard to tea that excise duty is not being refunded on exports, and has argued that there is no justification for this discrimination. Whatever be the merits of this argument, the Committee is of the opinion that a refund of excise duty on exports would be justified as an incentive to both production and exports. The representatives of the industry were asked whether the industry would be able to derive any benefit by this refund which would be given directly to exporter. In reply the representatives assured the Committee that the industry was bound to benefit. A large amount of tea is directly exported by producers and such producers will immediately benefit from the refund. Even as regards the teas sold through the auctions in India buyers for export will take the refund of the duty into consideration in bidding at the auctions and the producers will thereby be benefitted. The Industry was confident of organising its sales in such a way as to get the maximum benefit out of the refund of the duty. The Committee, therefore, recommends a refund of excise duty on all exports at the rate applicable to Zone I which is currently 18 p. per kg.

*(b) Kerala Sales Tax*

67. On all the teas sold at the Cochin auctions the Kerala Government imposes a sales tax of 5.25 percent (inclusive of surcharge). It was represented that on the auctions held at Calcutta, a similar sales tax was not levied and that the Kerala levy acted harshly in the case of exports of the teas purchased at the Cochin auctions. While the Committee appreciates the importance of the point raised, it does not propose to make any recommendation in this regard because another Committee, viz. the Committee on Sales Tax has examined the various

problems relating to sales tax and has submitted its report to Government.

*West Bengal Taxes on Entry of Goods in Local Areas Act, 1955*

68. This tax is levied at the rate of 13.78 p. per kg. on all teas entering Calcutta for sale, use or consumption. The tax is, however, not levied on teas entering Calcutta in the course of their direct exports to countries outside India on a non-f.o.b. basis. Consequently, the teas which are sold at the Calcutta auctions are subject to this levy even if they are exported to countries abroad immediately after sale at the auctions. As the teas which are directly exported are not subject to this tax and those which are consumed in India bear the usual sales tax, the Committee recommends that this tax be abolished as a measure of incentive to the industry. The member from the West Bengal Government stated that as the abolition of this tax would result in a loss of revenue to that Government, the loss should be reimbursed by the Centre. Similarly the member from the Assam Government said that as his State had refrained from the re-imposition of the Assam Carriage Tax on tea and jute, it should also be suitably compensated for giving up its source of revenue. These are matters for consideration by the Central Government.

*Excise Duty on Teas Produced by the Bought-Leaf Factories in the Nilgiri Area.*

69. In the Nilgiri area, there are several thousands of small growers, who own tea estates of area less than 20 acres. They cannot obviously afford to own factories and have to sell their green leaf to factories which in their turn depend upon the small growers for the supply of the leaf. These factories are known as 'Bought Leaf Factories'. Barring a few exceptions, this type of factory does not have its own attached estate. It has been urged that the leaf purchased from the various small growers varies much in quality and the tea produced from them is of comparatively inferior quality. This tea is mostly consumed by the internal market and the sale proceeds are low compared to the proceeds realised by the teas sold by the bigger plantations situated in the same area and elsewhere. This is also borne out by the prices realised in the recently organised auction sales at Coonoor. As the whole of the Nilgiri area (excluding the Gudalur Taluk) is included in the

Zone IV, the teas produced by these factories bear an excise duty of 42 p. per kg. The Committee recommends that in view of the lower prices realised by the product of the Bought Leaf Factories in the Nilgiri area, these factories be grouped into a separate zone and charged excise duty applicable to Zone I. A Bought Leaf Factory should be defined as one which purchased more than 2/3rd of its green leaf from outside sellers during the year 1963-64 and in the year in which the duty is levied. By suggesting that the position in 1963-64 should be taken into consideration, the Committee wishes to prevent factories which would not have been eligible for the concession from claiming it by arranging for purchases of green leaf on a large scale. The co-operative factories may also be included in the special zone proposed for the Bought Leaf Factories. This will be a measure of encouragement to such societies. The Committee does not visualise the starting of more Bought Leaf Factories in future as in its opinion the best way of meeting the needs of small growers is to organize co-operatives for them.

70. Incidentally, a number of small growers' associations assured the Committee that they would be able to get the benefit of the reduction in excise duty given to the Bought Leaf Factories from whom they would claim a higher price for their leaf.

## CHAPTER VII LOAN FACILITIES

### *Short and Long-term Finance for the Tea Industry*

71. It is now proposed to take up the second and third of the terms of reference which read as follows:

- II. *"To review the financial assistance available to the industry from the Tea Board and Banking institutions and to suggest simplification of procedures relating thereto;*
- III. *To make recommendations regarding the provision of finances required by the industry."*

Several forms of financial assistance now available to the tea industry both for working capital and for development are described below.

#### *Short-term Finance*

72. The tea industry, particularly in North-East India, obtains its requirement of short-term finance for working expenses in the form of loans from the commercial banks against hypothecation of crops. In addition to hypothecation of crop, the gardens' title deeds are also usually required to be deposited with the financing banks as collateral security for the loans. For purposes of the advance the Banks usually allow estates to draw upto 65 per cent to 85 per cent of the estimated sale proceeds of the crop of the estate. Some Bankers prefer to allow withdrawals in instalments according to the garden's requirements. Such instalments commence from January and continue practically throughout the year. The outstanding amount against these advances reaches a maximum about September, October in North-East India and thereafter decreases as sale proceeds increase, and reaches a minimum in December/January.

73. An idea of the volume of advances made by the scheduled banks to tea estates during different months of the year may be had from the table below:

Month	Rs. in lakhs
January	26,82
February	26,66
March	24,34

Month	Rs. in Lakhs
April	26,06
May	29,84
June	33,88
July	35,52
August	37,60
September	35,40
October	33,02
November	29,40
December	26,33

*Long-term Finance: Schemes Administered by the Tea Board*

74. As the commercial banks do not generally give long-term loans for development purposes, it was felt that the Tea Board might assist in this sphere through schemes, for providing long-term loans for two important items of development *viz.*, new plantation and machinery and equipment. Accordingly, the Tea Board has introduced and has been operating the following schemes of long-term financial assistance to the tea industry:—

*(A) Tea Plantation Finance Scheme*

75. This scheme, with a corpus of Rs. 5 crores, provides for the grant of loans for replanting, replacement and new extension at the rate of Rs. 3000/- per acre for plains gardens and Rs. 4000/- per acre for hill gardens. The loans are repayable in eight equal instalments commencing from the seventh anniversary of disbursement of the first instalment and carry an interest of 6½ per cent with ½ per cent rebate for prompt payment (i.e. 6 per cent effective). In the case of a majority of estates whose fixed assets have to be mortgaged with the financing banks as collateral security for advances against crop hypothecation, the loans are granted against a *pari passu* charge of the fixed assets created in favour of the Tea Board. In the case of estates whose fixed assets are free from encumbrance, the loans are granted against the mortgage of fixed assets.

Loans for a total amount of Rs. 3.04 crores have been sanctioned under the scheme upto 15-11-64.

*(B) Irrigation Loan Scheme*

76. The Government of India have sanctioned an expenditure of Rs. 1 crore for the grant of loans to tea estates

for sinking of deep tubewells, construction of reservoirs, dams etc., to provide for water supplies for irrigation purposes. The expenditure is to be met out of the fund of Rs. 5 crores allotted for the Tea Plantation Finance Scheme. The maximum amount of loan that can be granted to any individual tea estate has been fixed at Rs. 1 lakh. This scheme has only recently been introduced. The general conditions and the terms relating to security, repayment etc. are the same as those described in (i) above.

(C) *Tea Machinery and Irrigation Equipment Hire Purchase Scheme*

77. This scheme, with a corpus of Rs. 3 crores, provides for the supply of tea machinery and equipment to tea gardens on hire purchase basis. An additional allotment of Rs. 2 crores has been sanctioned for the supply of irrigation equipment under the scheme. Machinery and irrigation equipment upto a total value of Rs. 5 lakhs each can be supplied under the scheme to any individual tea garden. The gardens have to pay 10 per cent of the value of the machinery and equipment on acceptance of the application and the remaining 90 per cent is repayable in seven equal annual instalments commencing from the first anniversary of the despatch of machinery and equipment to the garden. The machinery and equipment remain the property of the Tea Board until the entire amount is fully paid off.

78. In cases where the repaying capacity and general financial condition of the company are weak, the applications cannot be accepted. However, in order to assist such plantations the Tea Board has liberalised the terms and accepts the applications supported by the personal guarantee of the Directors.

The total value of machinery and irrigation equipment supplied under the scheme upto 15-11-64 is Rs. 3.44 crores comprised as follows:

	(Rs. crores)
Machinery . . . . .	2.82
Irrigation equipment . . . . .	0.62
TOTAL . . . . .	3.44

*Agricultural Refinance Corporation*

79. The Agricultural Refinance Corporation which was set up in July, 1963 for provision of long-term agricultural

finance has decided to make refinance facilities available for the development of the tea industry also. The institutions eligible for financial assistance from the Corporation are the (i) State Co-operative banks, Central Co-operative Land Mortgage Banks and Scheduled Banks who are shareholders of the Corporation and, in special cases (ii) Co-operative Societies (other than a State Co-operative Bank of Central Co-operative Land Mortgage Bank) approved by the Reserve Bank for the purpose.

80. The constituent banks are eligible for refinance facilities in respect of the long-term loans advanced by them, subject to the following conditions:

- (i) *Purpose of loan:* These are—
  - (a) all major items of development of tea plantations including construction of labour houses; and
  - (b) discharge of old debts incurred for development purposes.
- (ii) *Amount of loan:* Minimum amount of financial assistance that can be obtained from the Corporation by a financing agency will be Rs. 1 lakh by way of refinance.
- (iii) *Period of loan:* Maximum period permitted by the Act is 25 years. For the time being however the period is fixed at 15 years which can be increased to 20 years in exceptional cases.
- (iv) *Rate of interest:* Rate to be normally charged by the Corporation will be 5½ per cent. This is, however, subject to review from time to time and the exact rate is to be decided on the merits of each case.

The banks will have the discretion to charge such interest as may be required in the circumstances of each case subject to approval of the Corporation.

- (v) *Security:* Fixed assets (land, plant and machinery etc.) mortgaged to the banks as collateral security for advances are to be sub-mortgaged by the banks to the Corporation. Guarantee from the State Governments will not be insisted on.

### *State Finance Corporations*

81. The State Finance Corporations, particularly the Assam State Finance Corporation, have also been granting long-term loans to some tea estates for development purposes including new plantation and extension of factory. Loans are granted by the State Finance Corporations for a period not exceeding 20 years against the security of fixed assets of the garden. However, the availability of finance is very much restricted by the inability of the plantations to offer acceptable security.

### *Loans for Plantation Labour Housing*

82. Long-term loans are also granted by the State Governments to the tea industry for construction of labour houses under the Plantation Labour Housing Scheme. The scheme was introduced in April, 1956 to help particularly the small planters in fulfilling their statutory obligation of providing residential accommodation for their workers. Under the scheme, the tea plantations are eligible for the grant of loans not exceeding 80 per cent of the actual cost of construction of houses (excluding cost of land and its development which is not taken into account for the purpose) subject to a maximum of Rs. 2,400 per house in the case of plantations in North India and Rs. 1,920 per house in the case of plantations in South India. The loans carry an interest of 5½ per cent and are repayable in 30 equated annual instalments. The normal security prescribed by the State Governments for loans under the scheme is the first mortgage of fixed assets of the estate.

83. The progress of the scheme has not been satisfactory due, *inter alia*, to the inability of the planters to furnish the normal security prescribed by the State Governments in view of the fact that the estates' title deeds are required to be deposited with the financing banks as collateral security for obtaining working capital advances.

### *Facilities to Small Growers through Co-operatives*

84. In South India, in the States of Madras and Kerala and in Punjab, there are a large number of small plantations. For their proper development and working, they are in urgent need of both short and long-term financial facilities. Because of their smallness and large number, it is not administratively feasible for the banks and other financing institutions to extend to them assistance individually. For this reason, as also for better administration and technical advice, the Tea Board has been sponsoring



the organisation of co-operatives with the help of the State Governments. With the organisation of co-operatives of small growers, the provision of finance to them becomes feasible. The Tea Board has already made a start in this direction with loans for development through co-operatives of small tea growers in all the three States of Madras, Kerala and Punjab. These loans have been given either through the State Government or direct to the co-operative, the State Government offering a guarantee. Further loans are proposed to be disbursed as far as possible through the Central Co-operative Banks.

85. The different schemes for which such loans have been granted by the Board so far are briefly detailed below:

#### KANGRA (PUNJAB)

##### (i) *Co-operative Tea Factory*

The Board has advanced a loan of Rs. 4.5 lakhs to the Punjab Government towards the cost of setting up of a co-operative tea factory at Bir, Kangra for processing the green leaf of the small growers' estates in that region. The construction of the factory and the installation of machinery were completed by the beginning of 1964 and the factory has gone into production since April, 1964. The factory has a manufacturing capacity of 2 lakh lbs. per annum.

##### (ii) *Tea Marketing Society*

86. A Co-operative Tea Marketing Society known as the "Kangra Tea Planters' Supply and Marketing Industrial Co-operative Society Ltd." has been set up in Kangra with its registered office at Palampur with a view to ensuring organised marketing facilities to the small growers of Kangra. The Board has given a loan of Rs. 3 lakhs towards the working capital of the Society along with an outright grant of Rs. 17,500/- towards 50 per cent of the cost of supervisory staff of the Society for the first 3 years, the remaining 50 per cent being contributed by the State Government. The Society has already started its operations and has been holding auctions of green and black tea at Amritsar since April, 1964.

##### (iii) *Fertiliser Subsidy*

87. In August 1964, the Government of India sanctioned the grant of a fertiliser subsidy to small growers' estates

in Kangra and Kerala, which are members of co-operatives, for a period of 2 years in the first instance. The subsidy, which is granted towards the cost of chemical fertilisers purchased through the co-operatives, will be subject to a ceiling of 50 per cent of the cost of the fertilisers actually purchased by the small growers. In the case of Kangra, the subsidy will be applicable to all small grower members of co-operative societies having a tea area of 50 acres or less and the rate of application of fertilisers on which the subsidy will be based will be 45 kg. of nitrogen per hectare.

#### KERALA

##### (i) *Co-operative Tea Factory*

88. In March 1964, the Board granted a loan of Rs. 3 lakhs to the Teekoy Co-operative Tea Factory Ltd., for the setting up of a co-operative tea factory at Teekoy, Kerala, for processing the green leaf of the small growers' estates. The construction work of the factory is expected to commence shortly

##### (ii) *Fertiliser Subsidy*

89. As already indicated above, the Government of India have sanctioned the grant of a fertiliser subsidy to small growers' estates in Kerala and Kangra, which are members of co-operatives. The rate of application of fertilisers of which the subsidy will be based will be 100 kg. of nitrogen per hectare.

#### MADRAS

##### (i) *Co-operative Tea Factories*

90. In July 1962, the Board granted a loan of Rs. 3 lakhs for the setting up of a co-operative tea factory—the first of its kind—at Yeddakadu, Nilgiris, for processing the green leaf of the small growers' estates. The factory, which has been in operation since September 1962, has a manufacturing capacity of 2 lakh lbs. Another co-operative factory has also been established at Kotagiri without any financial assistance from the Board. Production has not yet commenced.

##### (ii) *Comprehensive Scheme for Rehabilitation and Development of Small Growers' Estates in the Nilgiris*

91. In response to the Board's offer to State Governments to place funds at their disposal for disbursement to

small growers for new plantation as well as agricultural expenses such as fertilisers, insecticides etc., on co-operative basis, the Madras Government submitted a comprehensive scheme for development of the small growers' estates in the Nilgiris, in January 1964. The scheme, which covered the entire small growers of the district, provided for the setting up (i) six co-operative tea factories in addition to the existing two at Kundan and Kotagiri and (ii) a Central Service Industrial Co-operative Society which would be a federation of the regional co-operatives, for undertaking the bulk purchase of fertilisers for distribution to small growers and to provide technical advice regarding manuring methods, prevention of plant diseases etc., including employment of field staff for such purposes. The Board's financial assistance was sought in respect of the following items covered by the scheme:—

- (a) Setting up of six co-operative factories.
- (b) Supply of fertilisers.
- (c) Supply of insecticides.
- (d) Cost of supervisory staff of the co-operative factories and the Central Service Co-operative Society for the first three years.

The Board has recommended the proposals to the Government of India whose sanction is awaited.

#### PROBLEMS RELATING TO LONG TERM FINANCE

##### *General*

92. Loan facilities are available to the tea industry for various development activities but the industry is not able to make full use of them. The disinclination to take up long-term schemes of development has already been referred to. To the extent that the Committee's recommendations will improve the industry's financial position, this disinclination will be overcome. But it is also important to remove the hurdle created by the special requirements of security for the loan finance.

93. The title deeds of the tea plantations are in the majority of cases deposited with the commercial banks as collateral security for working capital advances. This makes it difficult for any other financing agency to extend loans. To overcome this, the *pari passu* arrangement was devised by the Tea Board for its Plantation Finance Scheme. The provision of loan facilities by the Tea Board for machinery and irrigation equipment by a scheme of

hire purchase is also by way of overcoming this difficulty. While the Hire Purchase scheme has worked satisfactorily difficulties have been encountered in the working of the *pari passu* arrangement in respect of plantation loans. This arrangement involves a tripartite agreement between the tea companies, the commercial banks and the Tea Board. Since the consent of the commercial banks is required to the sanction and the amount of each loan, the Tea Board has not been able to achieve as smooth and quick a flow of finance as required. It is, therefore, essential to assign the function of providing long-term finance to a body specially concerned with the welfare and development of the tea industry.

94. The Agricultural Refinance Corporation offers long-term finance to the tea industry for various types of capital expenditure through the commercial banks. Whilst the programme of A.R.C. will make more funds available for giving loans, the difficulties relating to security will still be there. It would appear that the commercial banks are reluctant to enter into long-term financing as envisaged by the Corporation, because of their doubts regarding the capacity of individual units of tea industry to repay the loan. The banks would expect the State Government should guarantee the repayment of the loans given to the plantations. But the State Governments are reluctant to agree to this guarantee. In any case delay in the flow of finance appears to be unavoidable under this system.

95. From the experience gained in the administration of the existing long-term financing arrangements for the tea industry, it would appear that the best results will be achieved if a single agency in possession of the title deeds caters to all needs of long-term finance. As regards the short-term finance, the banks would not generally be willing to give advances on the hypothecation of crops alone without deposit of the title deeds as collateral security. The long term financing agency will, therefore, have to guarantee to the banks the repayment of the loans for working expenses given on the hypothecation of crops, the amount guaranteed and the period of guarantee depending on circumstances. There will be no great risk involved because the banks have generally been following a conservative policy in fixing the amount of crop hypothecation loans. In any case the long-term financing agency can satisfy itself before giving the guarantee that the bank has exercised reasonable care and prudence in fixing the

amount of the crop hypothecation loan. The Committee, therefore, recommends the setting up of a Tea Finance Corporation, the broad outlines of which may be as follows:

### (1) *Functions*

(a) To extend to the tea industry medium and long-term loans for all purposes including the discharge of outstanding debts incurred for development against the mortgage of assets, whenever possible debentures being issued by the borrower company for this purpose;

(b) To extend guarantee to the commercial banks for the repayment of short-term advances made by them on the hypothecation of crops to tea companies where title deeds are lodged with the Corporation as security for medium and long-term loans.

### (2) *Resources*

(a) The Corporation should have adequate paid up capital to undertake its functions properly.

(b) This capital may be subscribed by the Government of India, Governments of the States in which tea is grown, Finance Corporations and individual tea companies.

(c) The Corporation may also receive a long-term loan from the Government out of the P.L. 480 funds.

(d) The issue of bonds for public subscriptions by the Corporation with Government guarantee should be authorised. The acceptance of deposits from the public should also be authorised.

(e) The Board of Directors should include Government nominees and representatives of the industry.

(f) The Corporation's Managing Director and other executives should have adequate knowledge and experience of the tea industry and its problems.

### (3) *Procedures*

To ensure that the Corporation realises its objectives, it is essential that the following points should be kept in view:

hire purchase is also by way of overcoming this difficulty. While the Hire Purchase scheme has worked satisfactorily, difficulties have been encountered in the working of the *pari passu* arrangement in respect of plantation loans. This arrangement involves a tripartite agreement between the tea companies, the commercial banks and the Tea Board. Since the consent of the commercial banks is required to the sanction and the amount of each loan, the Tea Board has not been able to achieve as smooth and quick a flow of finance as required. It is, therefore, essential to assign the function of providing long-term finance to a body specially concerned with the welfare and development of the tea industry.

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(a) The Corporation should have adequate paid up capital to undertake its functions properly.

(b) This capital may be subscribed by the Government of India, Governments of the States in which tea is grown, Finance Corporations and individual tea companies.

(c) The Corporation may also receive a long-term loan from the Government out of the P.L. 480 funds.

(d) The issue of bonds for public subscriptions by the Corporation with Government guarantee should be authorised. The acceptance of deposits from the public should also be authorised.

(e) The Board of Directors should include Government nominees and representatives of the industry.

(f) The Corporation's Managing Director and other executives should have adequate knowledge and experience of the tea industry and its problems.

### (3) *Procedures*

To ensure that the Corporation realises its objectives, it is essential that the following points should be kept in view:

(a) Expeditious procedures for the grant of loans will have to be laid down and time-consuming methods avoided.

(b) The terms and conditions for the grant of loans, their repayment and the rate of interest will have to be as liberal as possible.

(c) On the Corporation coming into existence, the Tea Board should discontinue issuing loans under the existing Plantation Finance scheme and suitable arrangements should be made for the administration of the loans already issued.

The benefits of setting up of this Corporation will be as follows:

(i) The availability of both short and long-term finance to the tea industry to the maximum possible extent would be assured.

(ii) The primary security of the title deeds would be available to a single financing agency, enabling it to ensure and provide all possible long-term financial assistance to each plantation.

(iii) The administrative inconvenience and delays resulting from having numerous financing authorities would be eliminated.

(iv) Control of financial assistance to the tea industry would rest with a single agency charged with ensuring the industry's development and welfare and equipped with adequate knowledge of the requirements of the industry.

#### *Finance for Small Growers*

96. The Tea Board's extension of loan facilities to the small growers through Co-operatives has met a long felt need. Such schemes are, however, *ad hoc* in nature and cannot be a permanent method of financing the long-term needs of the small growers. This would best be met with by the Land Mortgage Banks to whom refinance is available from the A.R.C., as in the case of other agriculturists. In this connection the constitution of a Land Mortgage Bank purely for tea planters has been suggested and the Committee recommends that this suggestion be pursued. The ceiling on the amount of loan to an individual may, however, be suitably increased beyond the present limit of Rs. 15,000. The Agricultural Refinance Corporation has in fact shown considerable interest in the



provision of long-term finance to the small tea growers through the co-operative structure and has already started a study of these plantations and their financial needs. The preliminary ideas which the Corporation has in this regard, as communicated to the Committee during one of its meetings, are that while long-term needs of small growers should be met by Land Mortgage Banks enjoying refinance facilities from the A.R.C., the short-term facilities should be available from the Central Co-operative Banks through the primary Co-operative Societies.

## CHAPTER VIII

### MISCELLANEOUS

97. Sundry subjects which are not specifically dealt with in earlier chapters are now taken up under the fifth term of reference which reads as follows:—

*“To make any other recommendation that the Committee may deem appropriate for the development of the tea industry.”*

#### *Economically Weak Tea Gardens*

98. The measures to be taken with a view to inducing the industry to take steps for increasing the production and export of tea has been discussed in the preceding chapters. A significant increase in production can, of course, be expected only from those concerns which are in a flourishing condition. However, there is a section of the industry, comparatively smaller though it be, which is not in this happy position. There are gardens particularly in North East India which, though they are not small in area as in the South, are in an economically weak condition. About these gardens the National Council of Applied Economic Research who carried out a survey in the North East region have stated as follows:—

“In general, the economic weakness of the garden appeared to be due to the combined effect of several factors, both technical and economic. The technical causes were related to plantation as well as manufacture. The principal drawbacks of the plantations were a high percentage of vacancy, old age of the bushes and the unscientific technique of cultivation. The processing of green leaf suffered due to worn-out machinery and inefficient handling and a high percentage of non-utilisation of the capacity of the factory made it relatively costly. The salient economic factors that created difficulties were: heavy indebtedness, paucity of capital, inefficient management, transport difficulties and price fluctuations. Labour troubles appeared to be both a cause and a result of economic weakness.

It must be added that the situation in respect of all these factors was not necessarily unsatisfactory in each and every case. However, even where some of the above-mentioned causes were absent the deficiencies from other factors were so overweighed that the overall conditions became weak."

The Council proceeds to state that if no protective measures are taken for these weak units about one-third of them may go out of existence and that it would be desirable to minimize the loss to the nation and to the owners of weak tea estates that the closing down of such units would cause. However, the Council also recognises the difficulty involved in improving the conditions of these units. It observes; "the task of improving the condition of the uneconomic gardens is rendered particularly difficult because of two considerations. First, the factors that may be primarily responsible for the economic weakness of a certain garden have to be determined for each unit separately, as these factors vary a great deal from garden to garden. Secondly, in most of the cases the deficiencies are of a serious nature. Therefore, to attempt a solution of the problem through the application of some general remedies would not be very effective. Not only the remedial measures but also their relative degrees of application have to be worked out in the form of an integrated programme to suit the specific needs of individual gardens and these measures to be successful have to be comprehensive enough to attack all the important factors that are weakening the garden". The basic requirement for a solution of the problem of economic weakness of these tea gardens was, according to the Council, to have a techno-economic investigation made of individual estates. The Tea Board has to a certain extent followed this suggestion. The Committee agrees that the best which can be done to help these weak tea gardens is to provide an extension service for tea somewhat on the lines of what has been done for agriculture. The Tea Board and the Tea Research Association may be asked to provide this service. For this purpose, these organisations may have to be strengthened. In addition to getting the benefit of extension service these gardens can, of course, avail themselves of the other facilities for financing which have been referred to in the earlier chapters. However, in order that the weak tea gardens may be able to make use of these facilities to a greater extent than at present the conditions relating to them may be liberalised. Thus, Hire Purchase

loans may be allowed to be repaid over a period of 10 years instead of seven. Some concerns may not be in a position to buy expensive new machinery. They may, however, be able to do well enough with second-hand machinery which, while being cheaper, would be efficient enough for use. The Hire Purchase Scheme may therefore be extended even to purchase of such second-hand driers and prime-movers—the more expensive items of machinery—provided, of course, the Tea Board is fully satisfied that these machines are suitable in all respects.

99. As the newly planted areas take some time to yield saleable crop, the interest on Plantation Finance loans may be restricted to 4 per cent during the first five years and the balance of the interest due for this period at 6 per cent may be recovered during the next two years.

#### *Land for New Plantation*

100. Since new plantation is the most important aspect of development in the context of the need for increased production to achieve Plan targets, it is essential to ensure that sufficient land is available for this purpose.

101. As a result of the operation of the various land and forest legislations in different States, the industry has been experiencing difficulties in carrying out new plantation virgin lands within the existing grants. It has been stated that under the West Bengal Estates Acquisition Act 1953 and the Assam Land (Requisition and Acquisition) Act 1948, surplus lands of tea garden—some of them suitable for tea—are being resumed or requisitioned by the State Governments, while under the restrictions imposed by the forest enactments of the Madras Government, the gardens are in many cases prevented from clearing the forest areas for planting new tea.

102. Apart from the question of retention of lands suitable for tea within the existing grants of tea estates, some of the estates which have no suitable lands within their existing grants are in need of additional lands in the neighbourhood, wherever available for the purpose of expanding their tea areas. Representations from such estates have been taken up by the Tea Board with the State Governments concerned but in most cases without any success. In these circumstances, the Committee recommends as follows:

- (1) All lands suitable for tea plantation within the existing grants of tea gardens may be exempted for some years at least from resumption or

requisition by the State Governments unless essentially required for public projects of paramount importance.

- (2) Applications for settlement of additional Government lands from tea estates for expansion of tea area may be favourably considered by the State Governments.

### *Fertiliser Prices*

103. Sulphate of ammonia has been found to be the most suitable fertiliser for mature tea. During the year 1963-64 the industry's total demand for 162,001—tonnes of S.O.A., 117,667 tonnes for N.E. India and 44,334 tonnes for South India—was met in full. The Industry's demand for S.O.A. for the year 1964-65 is estimated at 169,000 tonnes—125,000 tonnes for N.E. India and 44,000 tonnes for South India.

104. As already mentioned, many of the gardens have to purchase their requirements of fertilisers in advance of the time of application. This and the high cost of sulphate of ammonia are at present preventing its optimum use by the tea industry. The fertiliser supplied to other agriculturists is charged at a rate lower than the rate at which it is supplied to the tea gardens. In view of the great importance of continued and adequate use of S.O.A. for getting maximum yield from mature tea, the Committee recommends that the price payable for S.O.A. by the tea estates should not exceed the price payable by other agriculturists.

### *Labour Housing*

105. It has been represented that the plantations are finding it difficult and almost impossible to discharge their statutory obligations under the Plantations Labour Act, 1951 to provide houses to prescribed specifications for their workers. It has also been brought to the notice of the Committee that while subsidies are given for the construction of labour housing in other industries, no subsidy is being given for constructing houses for the plantation labour. In view of the fact that the resources of the gardens should be available as much as possible for expenditure on development, the Committee recommends that some assistance be given to the planters in connection with their expenditure on plantation labour housing. In

this connection the Working Group on Plantations Labour Housing have recommended that assistance on the lines of the subsidy allowed under the Industrial Housing Scheme should be provided so that the industry could get the benefit of 25 per cent subsidy. The Committee endorses this recommendation.

#### *Levy of Cess on All Teas*

106. At present, an export cess at the rate of 4·4 paise per kg. is levied on all teas exported. The total realisation from this cess amounts to Rs. 99 lakhs, assuming exports to be of the order of 225 m. kg. This cess is collected by the Customs authorities at the point of export and is credited to the Consolidated Fund of India out of which releases are made every year to the Tea Board in order to enable it to discharge its functions as laid down in the Tea Act, 1953. With gradual expansion in the multifarious activities of the Tea Board in connection with the development of the tea industry and promotion of tea exports, the expenditure incurred by the Tea Board has also been steadily going up. Thus the expenditure of the Tea Board has increased from Rs. 118·53 lakhs in 1961-62 to Rs. 184·13 lakhs in 1963-64. The sanctioned budget for the current year is Rs. 206·24 lakhs while the anticipated expenditure for 1965-66 is Rs. 293·05 lakhs. If the tea industry has to develop, the expenditure of the Tea Board both in India and abroad will have to be commensurate with the desired results. As a step in this direction, it has been proposed by the Tea Board that the cess which is now collected on teas exported may be levied on all teas produced in India. Representatives of the tea industry on the Tea Finance Committee have supported this proposal. The Committee, therefore, recommends that the cess may be recovered on all the teas (and not only on the exported teas, as at present). It may, however, be recovered at the rate of 4 paise per kg. along with the excise duty. Effect may be given to the recommendation from April 1, 1966.

#### *Sterling Companies*

107. It has been brought to the notice of the Committee that Sterling tea companies which provide more than half the tea exported from India are much at a disadvantage in the matter of taxes on their income and rebate on their exports as compared to rupee companies. Even if the maximum possible dividend tax is paid by the

rupee company there still remains a difference in the burden of taxation. It was therefore suggested that the burden of taxation on the sterling companies should be levelled down to that borne by rupee companies, due allowance being made for the Dividend Tax applicable to the latter, and in particular that the export rebate under Section 5(a) (i) of the Finance Act, 1964 should be granted to all. The point raised is one of taxation policy in general. Whether sterling companies is a question on which the Committee would not like to express any opinion even in the case of Tea Companies.

### *Deferred Payment of Excise Duty*

108. The Consultative Committee has suggested that a portion of the excise duty should be collected in arrears. In North East India where teas are manufactured mainly between the months of May and December, it has been proposed that at the beginning of the season a demand note should be issued by the Excise authorities for payment after three months. Thereafter, the period covered by the demand notes would be steadily reduced until the end of the season when payment will be made on the dates on which teas are cleared from the factory. Thus a grace period on the following lines has been asked for:

April, May, June	3 months.
July, August, September	2 months.
October, November, December	No grace.

It has been urged that as no tea would be allowed to leave the factory after a date in November until all arrears of excise have been paid, there would be complete security for Government. This suggestion for payment in arrears appears to have been made to the Government several times and after consideration Government did not accept it. Apparently, the decision not to accept the suggestion was based on the consideration that there should be no exception to the general principle of levying indirect taxes on the basis of "cash and carry". There is also the consideration that a relaxation of this principle made in the case of tea might be an occasion for similar requests from other interests also. The representatives of the industry on the Committee have therefore been informed that it is open to them to make further representations in the matter directly to the Government and so far as the Committee is concerned it would not like to offer any comments.

### *Cost and Quality Control*

109. The Tea Industry's importance to the economy of the country cannot be over-emphasised. Its proper and adequate development is, therefore, essential. The Committee has recommended measures designed to provide an impetus to development. However, the pressure of increasing competition makes it imperative for the Industry to reduce its costs and improve quality, particularly in order to increase exports.

110. It is, therefore, essential for the Industry to apply methods of modern scientific management to achieve this purpose. Techniques have been evolved to provide effective tools for application to farm and plantation management so as to facilitate the co-ordination and control of the factors of production and distribution. The implementation of cost control and cost reduction measures, work study and statistical quality control techniques and schemes to improve labour productivity and harmonious employer-employee relationship, are all important in modern industry. This together with continuing research into better types of tea bushes, their cultivation and the manufacturing of their leaf, will eventually result in a low-cost quality production, which is essential for the economic survival of the Industry and the long-term interests of Capital, Labour, Consumer, and the Country.

111. The Committee would, therefore, like to commend to the Industry the need for devoting attention to these measures of control.

#### *Chairman*

Sd/- V. V. Chari

#### *Members*

Sd/- P. C. Borooach

Sd/- Rameshwar Tantia

Sd/- Akkamma Devi

Sd/- Hem Raj

Sd/- Satyendra Prosad Ray

Sd/- B. N. Adarkar

Sd/- N. S. Pandey

Sd/- A. S. Bam

Sd/- H. K. Fitz Gerald



Sd/- H. K. Fitz Gerald  
 Per pro. R. Storey Dickson  
 Sd/- B. C. Ghose  
 Sd/- P. Crombje  
 Sd/- Vinod Parekh  
 Sd/- M. Ahmed\*  
 Sd/- B. C. Kundu  
 Sd/- G. Ramachandran  
 Sd/- C. Thomas  
 Sd/- B. K. Kackar  
 Sd/- V. Sivaraman  
 (B. B. Shah)  
 Sd/- P. Chentsal Rao  
 Sd/- B. K. Dutt  
 Sd/- D. K. Ghosh  
*Member-Secretary*  
 Sd/- K. M. Kidwai.

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\*I regret that I cannot agree to all the recommendations made by the committee. A note on the points on which my views differ from the recommendations of the committee is appended herewith.

Sd/- M. Ahmed  
 Joint Secy. to the Govt. of  
 Assam and Member  
 Tea Finance Committee.

(Note of dissent submitted by Shri Ahmed appears on page No. 64.)

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**SUMMARY OF CONCLUSIONS AND  
RECOMMENDATIONS**

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## SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

### *Item No. 1 of the Terms of Reference*

*“To examine the financial position of the tea industry with particular reference to the requirements of increase in production and exports.”*

There is a downward trend of net return and this downward trend has apparently had a damping effect so far as the incurring of fresh developmental expenditure on new plantations is concerned. A financial incentive is, therefore, called for in order to encourage the industry to embark on a programme of development with a view to achieving the targets expected of it. (Para 58).

### *Item 4 of the Terms of Reference*

*“To examine the structure of taxes on tea and to suggest appropriate measures for giving tax relief where necessary.”*

1. The rate of tax on the agricultural portion of the composite income should not exceed the rate of tax on the non-agricultural portion of it. (Para 61)

2. A development allowance of 50 per cent on the cost of plantation in new areas and of 40 per cent of such cost in areas replanted should be allowed as a deduction in computing taxable income for purposes of the Central Income-tax as well as the State Agricultural Income-tax.

The expenditure on planting for the purpose of computing the development allowance will include—(i) the cost of preparing the land; (ii) the cost of seeds/cuttings and nurseries; (iii) the cost of actual planting; and (iv) the cost of upkeep upto and including the fourth year commencing from the year in which a start is made for the preparation of the land (Paras 62 & 64)

3. The assessing officers should be instructed to deduct expenditure on the cost of upkeep after plantation in new areas in computing the taxable income. (Para 63).

4. For the purpose of computing the development allowance the cost of planting will be subject to a ceiling

of Rs. 4,000 per acre in the plains and Rs. 5,000 per acre in the hill areas. (Para 65).

5. A refund of excise duty on all exports should be given at the rate applicable to Zone I which is currently 18 p. per kg. (Para 66).

6. The West Bengal Entry Tax on Tea should be abolished. (Para 68).

7. Bought Leaf Factories in the Nilgiri area should be grouped into a separate zone and charged excise duty applicable to Zone I. A Bought Leaf Factory should be defined as one which purchased more than 2/3rd of its green leaf from outside sellers during the year 1963-64 and in the year in which the duty is levied. (Para 69).

*Item 2 and 3 of the Terms of Reference*

*"To review the financial assistance available to the industry from the Tea Board and banking institutions and to suggest simplification of procedures relating thereto."*

*"To make recommendations regarding the provision of finances required by the industry"*

1. The best means of meeting the needs of small growers in future is to organise cooperatives for them. (Para 69).

2. A Tea Finance Corporation should be set up to provide the Tea industry's requirements of medium and long-term finance for development and to extend guarantees to the commercial banks for the repayment of short-term advances made by them on the hypothecation of crops to tea companies whose title deeds are lodged with the Corporation as security for medium and long-term loans. (Para 95).

3. The Agricultural Refinance Corporation's suggestion that finance for small tea growers should be provided through the cooperative structure of Central Co-operative Banks and Land Mortgage Banks should be pursued. (Para 95).

*Item 5 of the Terms of Reference*

*"To make any other recommendation that the Committee may deem appropriate for the development of the tea industry"*

1. Extension service somewhat on the lines of what has been done for agriculture should be provided in order to help economically weak tea gardens. (Para 98).

2. Hire Purchase loans should be allowed to be repaid over a period of 10 years instead of 7 as at present. (Para 98).

3. The Hire Purchase scheme should be extended to purchase of second-hand driers and prime-movers provided the Tea Board is fully satisfied that these machines are suitable in all respects. (Para 98).

4. The interest on plantation finance loans should be restricted to 4 per cent during the first 5 years and the balance of the interest due for this period at 6 per cent may be recovered during the next two years (Para 99).

5. All lands suitable for tea plantation within the existing grants of tea gardens should be exempted for at least some years from resumption or requisition by the State Governments unless required for public projects of paramount importance. (Para 102).

6. Applications from tea gardens for additional Government land for expansion of tea area should be favourably considered by the State Governments. (Para 102).

7. The price of fertilisers paid by tea gardens should not exceed the price payable by other agriculturists. (para 104).

8. The Committee endorses the recommendation of the Working Group on Plantations Labour Housing that a subsidy of 25 per cent of the cost of labour houses should be provided to the tea industry on the lines of the Industrial Housing Scheme. (Para 105).

9. Tea cess should be levied on all teas produced at the rate of 4 p. per kg. with effect from April 1, 1966. (Para 106).

10. The Committee commends to the industry the need for devoting attention to measures of cost and quality control. (Para 111).

**A NOTE OF DISSENT SUBMITTED BY SHRI M. AHMED,  
JOINT SECRETARY TO THE GOVERNMENT OF ASSAM  
AND MEMBER, COMMITTEE ON TEA FINANCE**

*Development Allowance for Extension and Replacement*

While I agree that a development allowance for extension and replacement of tea gardens in new areas may increase production provided such an allowance is utilised for the purpose of the aforesaid development, I feel the State Government should be given a free hand to decide whether a development allowance, and if so its quantum, should be allowed after examination of the full implications of the proposal, its multiple effect and how the loss in State revenue resulting from such allowance if any, should be reimbursed by the Government of India. Moreover, I also feel that the proposed development allowance of 50 per cent is too high.

*Development Allowance for Replacement*

The State Government already treat expenditure on replantation in old areas as revenue expenditure for the purpose of computation of income of the garden at the cost of considerable loss of revenue to the Government. It is not desirable to allow any further concession on this account, as it will amount to double benefit.

*Bringing down the Rate of Agricultural Income Tax to the  
Rate of Tax on Non-agricultural Portion of it*

The Agricultural Income Tax is a State subject. Further, as implementation of the Committee's recommendation, that the rate of tax on the agricultural portion of the composite income should not exceed the rate of tax on the non-agricultural portion, will mean considerable loss of revenue to the State, I cannot accept this as it will result in reducing the resources of the State.

*Bengal Entry Tax and Assam Carriage Tax*

In 1954, Government of Assam levied a carriage tax on tea and jute. Thereafter, in 1955 West Bengal also imposed an entry tax on tea. The rate of tax in both the States was one anna per pound of tea. The Government of India felt that diverse State taxes on tea were adversely affecting the export trade and suggested their replacement by an additional excise duty the proceeds of which was suggested to be distributed between the two States to

compensate them for their loss due to withdrawal of their respective levies. The Government of Assam, in order to help the tea industry agreed that, in lieu of Assam carriage tax and West Bengal entry tax, an additional excise duty on tea might be levied by the Government of India at the rate of 15 paise per kg. provided proceeds therefrom were distributed between Assam and West Bengal on the basis of production in each State. The above stand of the State Government was conveyed to the Committee by the Assam Government representative with a request to make the recommendations accordingly. It was also suggested that in any case the Committee should make the recommendations that President's assent should be given to allow the State to reimpose the carriage tax or to reimburse Assam for this loss by the Government of India. It is regretted that the Committee did not give proper consideration to my suggestion in this regard.

#### *Requisition of Tea Garden Lands*

Rehabilitation of flood and erosion affected people is one of the major problems in the State. The recent influx of refugees into the State has added to this problem. For rehabilitation of these unfortunate people and to meet the army's requirements, suitable lands, wherever found, have to be requisitioned. In doing so, however, as far as possible, the genuine needs of the tea industry is always kept in view, and whenever any grievance of a particular garden on this ground is brought to the notice of the Government by way of appeal, it is given due consideration. I may add that in quite a few cases, the Tea Board addressed the State Government for revising the requisition orders passed by the District officers on the ground that the lands proposed for requisition were necessary for extension of tea cultivation and due considerations were given to such communications from the Tea Board while disposing of the appeals. It will thus be clear that so far as Assam is concerned the existing procedure in the matter of requisition of tea garden lands is already fully adequate to safeguard the genuine requirements of the tea industry. I, therefore, feel that a recommendation of this nature which fetters the discretion of the State Government in this respect is not necessary and cannot be accepted by me.

Sd/- M. Ahmed  
7.12.64

Joint Secretary to the  
Government of Assam,  
Shillong.