

# Chaa Sambaad

the voice of small tea growers

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## Tea Board Organises Small Tea Grower Conventions



*Ratneswary Borah, wife of late Soneswar Borah, the founder of STG movement, was honoured by Mr MGVK Bhanu, Chairman, Tea Board of India during the STG Convention, Golaghat on 11 June 2012.*

Tea Board of India (TBI) organised two conventions of the small tea growers in Assam – one on 28 April 2012 at Tezpur University, Sonitpur, and another on 11 June 2012 at Golaghat District library hall.

According to TBI officials, the purpose of these conventions was to spread awareness among the small tea growers on formation of societies, improving field productivity and use of technology. Considering the significant contribution the STGs are making towards the development of the tea industry as a whole, TBI has decided to give priority to the growth and development of STGs.

### Tezpur Convention

“Rs 300 crore has been earmarked under plan head for development of the small tea growers,”

announced TBI Chairman Mr MGVK Bhanu while addressing the convention. “The Board would provide 40 per cent subsidy to the small tea growers for setting up factories, besides subsidy to purchase vehicles for transportation of their produce,” he further added.

### Tea Board of India Enters into a Working Arrangement with CEC

Recognising CEC's contribution to the empowerment of small tea growers in India, Tea Board of India, in its board meeting held at Kumarakom on 22 June 2012, decided to enter into a working arrangement with CEC ‘for motivation of small growers and formation of SHGS in NE region and North Bengal’. The decision of the Board (Item No. D-9) to accord ‘approval of the working arrangement with CEC for the benefit of the small tea growers’ was based on the recommendation of the Development Committee.

state government to regularise the land patta of

While addressing the Convention, Tarun Gogoi, Chief Minister of Assam, emphasised the need for small tea growers to maintain good quality of their produce for better remunerative price. Union Minister of State for Development of North Eastern Region and Parliamentary Affairs Minister Paban Singh Ghatowar, requested the

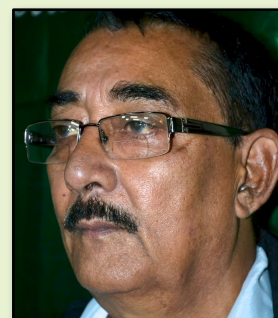
### Dinesh Kumar Sarmah Is Vice Chairman, TBI

Dinesh Kumar Sarmah, Vice President of All-Assam Small Tea Growers' Association and Senior Vice-President of Confederation of Small Tea Growers' Associations in India (CISTA), has been elected as the vice chairman of Tea Board for 2012-13. The decision was taken in its meeting held in Kumarakom, Kerala, on June 22, 2012.

This is the first time in the history of Tea Board that any member from among small tea growers has become the vice chairman. It broke the long-standing tradition of the position being held in one year by the chairman of Indian Tea Association (ITA) representing North Indian tea interest, and in the next year by the president of Upasi representing the South Indian interest.

There are 31 members in Tea Board including

the chairman, who is an IAS officer. The rest of the members are selected from different streams of the industry. The full term of the Board is three years.



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# CISTA's Letter to Finance Minister:

## Excerpts

Greetings to you from Confederation of Indian Small Tea Growers Associations (CISTA) !

...We convey our sincere gratitude and heartiest thanks to Ministry of Finance & Ministry of Commerce, Government. of India for taking the initiative to setting up Small Tea Growers Directorate.

Now in India nearly 2 lakhs small tea growers are cultivating tea. At present small tea growers in India account for more than 26% of the total tea production compared with just 5% in the early 1990s. ...We place before you that the following suggestion for your urgent attention in order to ensure sustainable livelihood development of STGs of India in our pre-budget memorandum.

### Plantation Credit Card

The small tea growers are local, sons of the soil, mostly are first generation entrepreneurs & spend locally. ...Nearly 15 lakhs people are directly or indirectly involved with this profile where educated, uneducated youth from rural, semi-rural, people from backward & minority classes are engaging themselves for self employment. Unfortunately these small tea growers ...are not being entitled to avail the loan from Bank. ...In absence of financial backup, most of the small plantations could not be developed on sound scientific line as the growers could not plan well ahead of execution. The small tea growers are nothing but farmers as they produce highly perishable agriculture product like tea leaf without any factory of their own. The attitude of financial institutions towards small tea growers are negative where estate or corporate gardens are enjoying bank loan in agriculture interest rate .... Even bought leaf factories are getting loan from

Bank with subsidy from Tea Board. ....In Karnataka, the small coffee growers are availing Plantation Credit Card like Kisan Credit Card, NABARD has no master plan to serve the small tea growers for credit facility. So, we are requesting you to please announce the credit facility for small tea growers ... & introduce plantation credit card for small tea sector in forthcoming financial budget 2012-13.

### Crop Insurance

In 2002-2003 financial budget, former Union Finance Minister Sri P.Chidambaram has introduced "Agriculture Insurance Co. of India Ltd." .... Already all the agriculture crops are covered by this company and farmers are getting insurance for their crops. The small tea growers exclusively producing green tea leaves should be treated at par with farmers of other agriculture sector. We are also requesting you to please introduce green tea leaves under the insurance scheme as crop insurance of Agriculture Insurance Co. of India Ltd. to protect the crop in the next financial budget.

### Special Fund for STG Directorate

Creation of separate small tea growers directorate will help in better execution & monitoring of the schemes, in initiating pilot programs on alternative market development for small tea growers and in providing systematic training & extension services. This will also help the STGs to improve the quality of green tea leaves and create a new dimension in tea industry to upgrade the STGs



from green tea leaf producer to made tea producer. In Srilanka, Tea Small Holding Development Authority (TSHDA) & in Kenya, Kenya Tea Development Authority (KTDA) who are dedicated agency for small tea growers development are showing the sustainability in the export market. So, we hope that in the Union Budget 2012-13 ministry of finance will provide special and adequate fund for the STGs Directorate for its smooth functioning.

### Subsidised Fertilizer

Regular supply & affordable rate of fertilizer is one of the most important feature that determine the quality of green tea leaf and better yield. Recent price hike of urea & mainly of potash has created a huge financial loss to the STGs. If it is going on in future, then STGs will be not be able to use fertilizer in the small plantations. Ultimately crop will be effected. We request you to please announce subsidized fertilizer quota for the STGs.

We hope that our suggestions will be materialised with your proactive support in the forthcoming union budget, 2012-13.

Thanking you,  
Bijoy Gopal Chakraborty  
President, CISTA

## STG Conventions

small tea growers to allay all apprehensions from their minds.

### Golaghat Convention

While addressing the convention at Golaghat, the TBI chairman urged the small tea growers to form societies and to set up their own processing factory subject to two conditions: (1) a second factory cannot be set up within 5 kilometres of an existing factory, and (2) the factory must be owned by members of small tea growers' society set up for the purpose. He assured that 25 per cent of the cost for setting up a factory would be provided by Tea Board, which would also give the required license to such factories.

*"Small tea growers can directly acquire the benefits being offered by the Tea Board and move up the value chain, but only if they collectivise themselves into producer societies and take control of their own destinies"*

In the technical session, scientist of TRA Dr BB Baruah concentrated on the technical aspects of agriculture; Professor of Assam Agriculture University Dr Taparia talked about farmers as entrepreneurs; CISTA president Mr Bijoy Gopal Chakraborty shared his experiences from his Kenya visit; and executive director of CEC Mr J

John spoke on the role of social technology in the formation of primary producers' societies.

### EqualiTea

On invitation from Tea Board of India, CEC attended both the conventions. Addressing the large gathering of small

tea growers, J John said, "Small tea growers can directly acquire the benefits being offered by the Tea Board and move up the value chain, but only if they collectivise themselves into producer

societies and take control of their own destinies."

He explained how CEC had helped the small tea growers in Nilgiri region to organise into primary producers' societies, to engage in collective leaf trade avoiding leaf agents, and to improve their agricultural practices. He said collectivisation had improved their self-image and dignity, and provided appreciable economic benefits due to better realisation of prices for green leaves. He also informed that CEC, in collaboration with All-Assam Small Tea Growers' Association and other state associations, is replicating this work in Assam, West Bengal, Tripura, Mizoram and Arunachal Pradesh. The project is financially supported by the European Union and is being executed in collaboration with Traidcraft, UK.





# Small Tea Grower Collectives in Tripura

The project 'Sustainable Livelihoods for Small Tea Growers' envisages formation of primary producers' societies (PPSSs) of growers who engage in collective leaf trade directly with bought leaf or estate factories. Some among them might graduate to the production of processed green or black tea. This column tracks the progress of these growers in Assam, West Bengal, Tripura, Arunachal Pradesh and Mizoram.



Primary Producer Societies formed in Tripura					
Name of Society	No. of members	Area	Location	President	Secretary
Dudbari STG Society	51	60	Kamalpur, Dhalai, Tripura	Swapan Namasudra	Gouranga Debnath
Kathalbari STG Society	33	50	Kamalpur, Dhalai, Tripura	Subhas Das	Ramani Mohan Das
Basumati Khudar Cha Utpadak Samity	51	170	Sipahijala, West, Tripura	Harisankar Debnath	Dilip Das
Gabtali Khudra Cha Utpadak Samity	30	130	Sipahijala, West, Tripura	Rustam Alom	Aalimiya
Bagchara Maitryvelly Cha Utpadak	50	95	Langtaraivally, Dhalai, Tripura	Sailen Sarkar	Banka Munda
Simna STG Society	44	70	Sadar, West, Tripura	Joti Roychouduri	Khokan Nayek
Mayachari STG Society	58	160	Kamalpur, Dhalai, Tripura	Barendra Debbarma	Rajesh Gowala
Panchamnaga STG Society	60	200	Kailasahar, Unakoti, Tripura	Ramesh Debbarma	Prafulla Debbarma
Fathickchara STG Society	54	115	Kumarghat, Unakoti, Tripura	Biralal Rieng	Danya Manik Debbarma
Chagaldema STG Society	62	130	Kailasahar, Unakoti, Tripura	Sanju Debbarma	Swapan Debbarma

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## Tea News

### Kofeucha to have its Tea Factory

Kofeucha, a collective of 300 small tea growers formed in 1994 — named after the three villages Kohargaon, Fetanigarh and Udaipur, has been assured by Tea Board of a license to set up its own processing unit, in a move that will certainly encourage others to follow suit.

The largest and the oldest SHG among small tea growers in Assam, members here have their gardens ('cha' stands for tea).

This new development is expected to bring to an end their perpetual complaint of being offered low prices by bought leaf factories and factories owned by the bigger gardens for their green leaf.

The Tea Board will provide a 40 per cent subsidy to set up the factory, which is expected to cost nearly Rs 3 crore. "Setting up of our own factory will be the beginning of a new chapter for small tea growers in the state. Within the next couple of years we are hopeful of coming out with our own brand of tea,"

Cheniram Khanikar, chief adviser of the self-help group, stated to the media.

### Biometric ID Cards for STGs

Tea Board has decided to issue biometric smart cards to small tea growers. This step will totally eliminate all paperwork that is presently required for registration of small tea growers. The Board has relaxed a number of conditions for small tea growers to get registered.

At the moment, only about 5,000 small growers are registered. Only a self-drawn map of the cultivated area and a landholding certificate will be required; no soil analysis map will be necessary. The Board has also decided to create awareness amongst the growers through a series of conventions.

### Innovative Venture by Assam Youth

A group of young people from Assam, belonging to the indigenous Moran community in the village of

Kakojan in Tinsukia District, located about 20 kilometres away from Doomdooma, have set up an organic tea-processing unit. It is founded on indigenous and traditional knowledge and technical inputs. Marketed in the local markets as a chemical-free health drink, it is already popular under the brand name of 'Piyola Tea'.

The group started their venture in 2010-11. Their production stands at one quintal on three acres of organic garden, and this year they are expecting to double their production.

In spite of their enthusiasm to go beyond the local market, they are hindered by various factors including limited exposure to technology, infrastructure, working capital, licensing and proper marketing network. Their endeavours can create employment and generate income that will empower the people of this region socially and economically. The group expects policy support from government and support from financial institutions. Their key concern, though, remains a regular market for their products.

# Is Agricultural Income Tax on Small Tea Growers Justified?

In recent times, the most uttered question by the small tea growers' community to government agencies is whether they are farmers or industrialists. If they are farmers, then why should not they enjoy all the amenities provided to farmers by the agriculture department?

This confusion exists because of confusing government tax laws and documentation processes. The central government has been empowered by Entry 82 of the Union List of Schedule VII of the Constitution of India to levy tax on all income other than agricultural income. In pursuance of this objective, the central government had formulated Income Tax Act, 1961. On the other side of the story, we have Bengal Agricultural Income Tax Act, 1944, which was introduced after abolition of the zamindari system in Bengal. According to this act, 'if any assessee derives income from sale of green tea leaves, it becomes hundred per cent agricultural income' and it is taxable under this Act. From financial year 1993-94, all individual growers growing crops other than tea have been given exemption under the Act.

Hence, the question arises: if it is a completely agricultural activity, then why should not small tea growers receive benefits under the agriculture department?

In the case of estate gardens, the central government has segregated total income into two parts at 60:40 ratio. The central government does not charge anything on the 60 per cent of the estate garden income, assuming that 60 per cent is agricultural activity, and so, income pertaining to that portion will be exempted and it will be charged under Bengal Agricultural Income Tax Act, 1944. It was upheld in the case Tata Tea Ltd & Another vs State of West Bengal & Others in the year 1988. The single judge bench of the Calcutta High Court, ruled that after assessment the income tax officer (for short, 'ITO') could levy the tax on 40 per cent of the income in accordance with the provisions of the Income Tax Act, 1961, and the balance amount might be assessed by the agricultural income tax officer to tax under the Bengal Agricultural Income Tax Act, 1944. The court further directed that if any assessment order had already been passed contrary to the aforesaid directions, such order must stand quashed and a fresh assessment order should be passed in accordance with law.

From the decision of the court it is quite evident that tea growing is a complete agricultural activity and that it is subject to tax under the State Act.

Tea cultivation in this part of the country, or perhaps all over India, has become a very costly affair with increase in input prices. Moreover, there is no mechanism to ensure that small growers get a fair price. The court decided that 60 per cent of the income comes from the field, but if we do a value-chain analysis of small tea growers' business system, we will find that 60 per cent of the cost is borne by the small growers and they get only 10 per cent to 20 per cent of the income share from the bought leaf factory. Tea being a forward-integration industry, the maximum profit accrues at the top of the value chain, and so, this assumption of 60 per cent income accrual at the agricultural activity level needs a relook.

Due to the changing face of the business, small tea growers are the most vulnerable section of the industry, having been exposed to massive volatility in the green leaf market in the absence of any decisive measure to value their product; consequently, they stay at the bottom of the value chain, where value

accrual is minimum and risk is high. In this situation, growers need some relief from the tax burden because agriculture income tax will become a new burden on their shoulder. Small growers are new-generation growers and they are yet to develop a business mentality. They still look at tea as any other farming occupation and maintain no records at all, because of which finding the exact income will be really difficult. Moreover, this sector is largely unorganised and most of the growers are dependent on the agents; as a result, most of the time they do not receive the proper price for their produce. Unless these loopholes are fixed, taxing the growers will only add insult to their injury.

To cultivate tea it is obligatory to receive a no-objection certificate (NOC) from the government, and to get the NOC one has to get a mutation and conversion certificate from the government. These certificates are normally required to set industry on any land. On the one hand, the government is looking for these certificates to give permission for tea cultivation, and on the other hand, they want the growers to pay tax on their income under the Bengal Agricultural Income Tax Act, 1944. What an irony!

Bengal Agricultural Income Tax Act, 1944, has two sets of rates: one for the individuals and another for the assessee other than individuals that includes public and private companies, BOI, and AOP. The exemption limit under the Act is only INR 10,000 for individuals, and for other assesses there is no exemption. They pay 30 per cent straight on the exemption received under the Income Tax Act, 1961. Income Tax Act allows exemption on up to INR 180,000 for individuals, but in the case of Bengal Agricultural Income Tax Act it is only INR 10,000; even the depreciation rates allowed under the Act is higher than the rates specified in Companies Act, 1956, or the Income Tax Act, 1961. So, the

amount chargeable under this head is also very high. This factor certainly needs a relook; otherwise it will impose a tremendous amount of burden on the small growers. In absence of a proper pricing mechanism there are already some problems that the growers are facing, and now the imposition of this Act will make the situation even worse.

Jalpaiguri District Small Tea Growers' Association has been fighting against this decision for years. They organised a mass rally on 10 August 2012 to mark their protest against this decision. The secretary of the association Mr Bijoy Gopal Chakrobarty had said, "We are completely responsible about our duties to the nation. So we are ready to cooperate in any

way, but we still feel that the government should be sensitive towards our problems as well."

The question is when all other crops have been exempted, why not tea? The small growers want the government to relook at the context of the small tea growers operating in the region before imposing any Act on them.

Hopefully, the government will decide on the issues in such a way that growers have a brighter tomorrow while performing their duties to the nation.

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