

Shobha Roy | Updated on August 25, 2021

Move will lead to excess supply and drag the prices down, fears industry

The Union Government has suspended operations of Sections 12 to 16, Section 39 and Section 40 of the Tea Act, 1953.

The move, made by the Ministry of Commerce and Industry, is likely to pave the way for higher production through some excess supply of tea in the system, which is already reeling under the pressure of lower realisation, industry insiders said.

Sections 12 to 16 of the Tea Act, 1953, essentially deals with method of control of extension of tea cultivation, limitations to the extension of cultivation, grant of permission to plant tea; while Sections 39 and 40 deal with penalty for illicit cultivation and removal of tea planted without permission.

“In exercise of the powers conferred by sub-section (1) of Section 48 of the Tea Act, 1953 (29 of 1953), the Centre hereby suspends the operation of sections 12 to 16, Section 39 and Section 40 of the Tea Act, 1953 until further order,” it said in a notification in the official gazette.

According to a senior industry official, the move would hardly make an impact as a majority of the sections have been “blatantly flouted” all these years.

Small tea growers

“These rules have been violated by people, particularly in the North-East, leading to indiscriminate rise in production. Now there is very little land left to be utilised for plantations,” the official told *BusinessLine*.

It is to be noted that a spurt in production, primarily led by small tea growers (STG) in recent years has led to an oversupply in the system, thereby exerting pressure on prices. STGs currently account for nearly 51 per cent of the country’s total tea production.

The cost of production for STGs is much less as compared to the organised tea industry, which has to bear fixed labour costs. Labour accounts for nearly 70 per cent of their total cost. Naturally, their margins suffer when the price realisation is not good. STGs, on the other hand, can make profits due to lower cost structure thereby creating a dichotomy in the system.

“It is true that these sections of the Tea Act are now irrelevant. Government should think on how to manage the oversupply situation and improve average price realization of tea,” said Bijoy Gopal Chakraborty, President of CISTA (Confederation of Indian Small Tea Growers Association).

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<https://www.thehindubusinessline.com/economy/agri-business/commerce-ministry-suspends-seven-sections-of-tea-act-to-hike-output/article36104712.ece>