

Post-Reform Tea Industry in Sikkim: A Study of Growth and Challenges

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Abstract

Sikkim is marked by a series of steep hills, high peaks, rippling rivers, and a variety of flora and fauna. It has the potential for economic growth which needs to be backed by sound strategic planning for industrial development. The current paper focuses on the growth and challenges of state's tea industry. This particular industry is known to have a huge potential. The paper attempts to showcase the existing tea plantation growth, challenges faced and the government's facilitation towards this growth. It also recommends a trajectory to increase the industrial growth in this sector in a steady and sustainable manner by the government. The methodology used here is mainly through case studies by use of both primary and secondary data, personal interaction and interview surveys to substantiate the cases.

Key words: Tea Industry, Sikkim, Industrial Potential, Economic Reforms

Sikkim is a former Himalayan mountain kingdom that was annexed to the Indian union in May 1975. It is one of the most peaceful states in the country with multiple increases in many socio-economic parameters bringing in robust economic vibrancy and socio-cultural sustainability (Jha et al 2007). The progress in democratic process and planned development has generated ample social and economic security for the masses. The journey so far has been rewarding and the development efforts are satisfactory. However, no development orientation can remain the same forever. Development is a continuous process and it has to undergo constant transformation. This depends on the changing aspirations of the people, broadening nature of development instruments, new dimensions of social problems, increasing resource crunch, sustainability imperatives of the state

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and the growing complexity in the functioning of both national and international systems (Lama 2007). Hence there is a need to look at the economic growth trend especially in the industrial sector and analyze development in right perspective and suggest any value additions that may be desirable. It is imperative to study the dynamics of development so as to meet changing societal needs.

Economic Reform Scenario in Sikkim

Economic parameters of a state are usually considered as indicators of development. People of Sikkim engage in different economic activities, prominent among which are tourism, industries, trade, horticulture, agriculture, and minor forest products. The state enjoys a salubrious physical climate, a dust-free environment and peaceful industrial atmosphere. In regard to industrial development, a number of small and medium units have been promoted in the state. Some of them are as follows:

- i. Agro-based industries
- ii. Floriculture
- iii. Animal husbandry and dairy products
- iv. Minor forest based industries
- v. Handlooms, handicrafts and village industries
- vi. Hydel power
- vii. Pharmaceutical industries
- viii. Tea

There is not a single Public Sector Undertaking of the Centre in Sikkim. There are over 1500 units which have been granted provisional registration from 1976 onwards. Over 70 percent of these units are located in the East district, thereby showing disproportionately high concentration of industrial units in certain geographical locations (Lama 2007).

Horticulture is one of the major economic activities of the people of Sikkim. Large cardamom, ginger, and turmeric are the principal crops, while Mandarin orange, guava, mango, banana are the principal fruits grown in the state. The state is also a paradise of flowers. Gladioli, anthurium, lilliums, primulas, rhododendrons, orchids, and many other floral species thrive here. There is immense potential for developing floriculture on a commercial basis and the Department of Horticulture is making concerted efforts to turn this sector into an export-oriented industry. Agriculture is the major economic

activity and is practised on terraced field that has been labouriously created out of steep hillsides. Sikkim is the largest producer of cardamom and also boasts of having the largest area in India under its cultivation. Tea is exported to Russia and Germany. A coffee plantation has also been started at Majitar. However, progress of agriculture has remained limited due to difficult topography and other natural barriers. Sikkim also sees a potential growth of tea industry (Lama 2008).

Historical Background of Industrial Growth

The existence of craftsmanship-based cottage industries dates back to several centuries. The dexterity and skill the craftsmen showed in bamboo-craft, woodcraft, spinning of loom and weaving traditional textures, carpet and rug weaving with muted shades and brilliant colours of pure vegetable dyes, metal work, silverware and woodwork are appreciable. Many of these products are very exclusive, as a result of which they cannot be easily brought to the market place. Governmental patronage has helped to sustain these traditional practices in a very important way. To begin with the carpets were woven in the Maharaja's factory and two weaving schools at Lachung and Lachen were set up subsequently to support it. The Palden Thondup Institute of Cottage Industries was set up at Gangtok in 1957. This institute trained a large number of Sikkimese boys and girls in local handicrafts including carpentry, handmade paper, carpet, doll making, handloom and weaving. For a village craftsman, who is essentially a cultivator, this traditional activity is undertaken during the lean season for earning an additional income. But for the town-based craftsmen, these activities were not profitable because they could not produce quality products and hence they could not get good price for their products. The most crucial handicap was the very limited market in Sikkim for their products, adversely affecting the growth of the industry (Lama 2001).

The industrial sector was at its infancy in Sikkim before 1975. Distillation of wines and liquors was one of the first modern industries established at Singtam in 1955, providing employment to 30 managers and 150 labourers. This distillery was equipped with the state-of-the-art equipment and served both domestic and overseas markets. The other undertaking was the Government Fruit Preservation Factory, which was set up at Singtam a year later. This factory utilized the ample orange production in the state, cutting down on wastage in transit and eliminating middlemen. It also added value by providing incentives to farmers to bring additional acreage under horticulture.

Immediately after 1975, all the four districts were declared as

industrially backward. The Directorate of Industries, which was established in 1976, attempted to create a conducive environment for industrial development in the state. Largely based on a Techno-Economic Survey by the Union Ministry of Industry (1974), this Directorate undertook significant measures such as the promotion of a viable system of incentives and subsidies, financial and technical support and industrial training (Lama 2001).

To attract investment in industries, more liberalized incentives were enunciated in 1991. Under these initiatives, subsidies were available for captive power generating set, cost of transformer and power line, consultancy services, power, interest on working capital, registration fee of promotion councils, Bureau of Indian Standards, Commodity Boards, Chambers of Commerce, publicity and advertisement, study tour and in-plant training, price preference, concession on sales tax, deferment of excise duty, special incentives for high value low volume production units and units utilizing local raw materials. The Industrial Policy (1996) further provided several concessions and incentives designed to attract investors (Government of Sikkim 1996). Incentives provided by the state were:

- a) Subsidized interest on working capital. This was provided for five years for interest in excess of 14 percent of the interest payable by industrial units on the working capital loan obtained from banks. Depending on the scale of operation, the amount varied from Rs.15,000 to Rs.1,10,000 or actual difference in interest whichever is less in thrust areas and Rs.10,000 to Rs.100,000 in non-thrust areas.
- b) Exemptions from State and Central sales tax. This was provided for 7 years from the date of actual commercial production.
- c) Price preference. This was 10-15 percent over the rates quoted on same quality of product from outside Sikkim to industrial undertakings established in Sikkim on the purchase made by various State government departments and organizations.
- d) Subsidy on captive power generating sets. This was provided to the thrust area industries to the extent of 30-32 percent (maximum Rs 1,25,000) and 25 percent (maximum Rs 1,00,000) to non-thrust area industries.
- e) Subsidy on power consumption. This was provided to the extent of total reimbursement of the first Rs 50,000 power consumption per annum of the unit and then on pro rata basis. The thrust area industries received a subsidy of 30 percent in power tariff.

Besides the above incentives, there were well laid out subsidies, consultancy services, study tours and in-plant training, registration fees of promotion councils, and some services provided by the Bureau of Indian Standards, Commodity Boards and Chambers of Commerce and Industry (Lama 2001). Looking at the constraints of the Industrial Policy of 1996 regarding incentives and sales tax concessions, the government is moving towards a pro-investor approach for encouraging the private sector into industry, by formulating clear and simple guidelines for the thrust areas. Procedures for setting up enterprises are also being streamlined. The focus is expected to be on promoting industries, which are essentially eco-friendly, utilization of raw materials and focus on value-added products. According to the data provided by the Central Statistical Organization, the contribution of the manufacturing sector to the Net State Domestic Product (NSDP) in Sikkim has shown a drop from 5.7 percent in 1980-81 to 2.2 percent in 1995-96, even though in absolute terms, it increased from Rs. 27.9 million to Rs 100.03 million during the same period. The share of industry has declined partly because the NSDP has recorded over 9-fold increase in absolute terms as against 3.5 fold increase of the manufacturing sector during the same period. In other words, the growth rate in industry has been significantly lower than the growth rate in other sectors (Lama 2001).

In addition, the contribution of tea manufacturing has been limited to only one state enterprise. 95% of the industries controlled by the government are not sustainable. There are 1683 provisionally registered and 313 permanently registered private sector industrial units, most of which are in the tiny or small sector and promoted by first generation entrepreneurs. There are 14 state public sector enterprises but no central government public sector unit exists in the state. Of the registered industrial units, only 225 units are functioning while most of the units are sick. The persistence of investors' disinterest despite favourable social and political climate shows that perceptions play a big role in dictating investment inflows. It would be necessary to undertake systematic efforts to correct these perceptions in order to create a favourable environment for industrial investment in Sikkim. Regional development of industrialization is not balanced. Most of the existing development is restricted to the East district. The scope of industrialization is also very limited in the state. Though the small scale and cottage industries are doing reasonably well, large-scale industries are ruled out. Dearth of locally available raw materials, lack of proper transport and communication systems, distance to markets, etc. are some of the basic locational

disadvantages. Nor is sufficient land available for the construction of large work sheds. Though the climate of the hill state favours the location of certain precision industries, infrastructure handicaps and lack of entrepreneurship deter industrial development.

Stagnation in agriculture and manufacturing sectors has resulted in an increase of marginal workers and those employed in unorganized informal activities without any social protection. Agricultural resources are yet to be exploited. The rapid deterioration of mountain environment due to numerous hydel projects poses immediate problems for the well-being and survival of both mountain and adjacent lowland populations (Karan 1989). The soil resources of the state are limited. The thickness and quality of the soil vary according to the gradient of the hillside slopes and ground cover. Steeper the gradient, poorer is quality of the soil. Surface run-off during monsoon carries away unprotected topsoil and diminishes this invaluable resource every year. In valley areas, the soil layer is thicker but the texture is coarse. The sandy and porous nature of soils along river courses renders them unfit for cultivation. Under such circumstances, there is limited scope of agricultural expansion in this mountainous state and at the moment, only 11.5% of the total area is devoted to cultivation. The actual area available for cultivation is shrinking due to continuous pressure from the secondary and tertiary sectors, such as establishments of new industries, expansion of the built up area of urban centres, extension of roads, construction of power plants, etc. Small size of land holdings, over-dependence of seasonal rain, inadequacy of suitable farm machinery, problems of marketing, etc. render the growth of agriculture slow and stunted. Besides, natural calamities, such as landslides, rock-slips, flash floods, etc. wreak havoc from time to time (Choudhury 2001).

Tea Industry in Sikkim

Temi Tea

Located in South district touching the bottom of the renowned Tendong hill in West district, Temi Tea is run by the industry department of the state. The quality of the tea is often comparable to Darjeeling tea. The garden was established in 1969 with an estimated area of 437 acres. It employs a total number of 406 workers and 43 staff members. It produces about 100 mt of tea annually. During 1997-98 the production figure of Temi Tea garden reached 1,16,000 kg, which is the highest record ever achieved till date. During the year total revenue of Rs. 2.18 crores was credited to the State exchequer. The garden received All India Quality Award from the Tea

Board of India for two consecutive years, i.e., 1994 and 1995.

The single orthodox variety of black tea of this garden is very rich in flavour and has high export potential, which is only partially tapped so far. To its credit, Temi Tea fetches one of the highest prices at the Kolkata Tea Auction.

Unlike the tea gardens in other states of India where they are controlled by the Tea Board of India, which also provides subsidized loans for new plants, replantation, and construction of factory, Temi is a state enterprise. Hence, the state government funds all activities of the tea plantation, salaries and wages as per the rates fixed by the state. The following additional benefits are provided to Temi tea garden staff and labourers:

- (a) Wage is double of what exists for other tea growing areas.
- (b) Free housing
- (c) Free medical benefits
- (d) Bonus
- (e) Provident Fund

There are hardly any administrative issues in this garden. There is no labour unrest, as the concerns of the labourers are taken care of by the management. Their pay consists of basic pay, house rent allowance of 15% of basic pay, dearness allowance of 27% of basic pay, and hill compensatory allowance of 10% of basic pay.

Sang-Martam Small Tea Growers

To increase Sikkim's tea production capabilities Sang-Martam Tea Growers' Cooperative Society was established in 1998 under the assistance of Temi Tea Board. This is a society which encourages small farmers to merge their landholdings to start tea plantation. The total area of land under the cultivation of this society is around 75 acres. The society has a total of 140 members. Since the gestation period is long, tea plucking has started only recently. They are sending green leaves to Temi Tea factory for processing. The tea produced is single orthodox black tea. The society was facilitated by the state government, which provided them with the saplings. After some time the government's facilitation reduced drastically and farmers started withdrawing from the tea business. For 7 to 8 years the tea gardens remained unattended which resulted in wild growth of tea bushes that were already planted. In 2006, some of them took individual loans from Axis Bank and

started reviving the farming. In 2007 four hectares of land were brought under cultivation and the pruning of the bushes and processing of tea started in their own processing unit. In July 2010, they started getting free labour under the scheme of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). Yet, the number of tea growers has drastically reduced to about 20 at present.

Conclusion

There is enough evidence to conclude that Sikkim has a huge potential for tea industry in view of the weather, quality of soil, and the temperature, which are ideal for growing tea. The quality of tea can be better than Darjeeling tea as the plantations are much younger compared to those in Darjeeling. Further, growing tea is an easier process compared to other agricultural crops. One just needs some saplings and land to begin with. If pruning and maintenance are done regularly, the tea bushes give returns for more than 100 years. If the state government provides regular facilitation and financial help, tea can be grown in Sikkim in large scale and can be exported as well. Private farmers have lands for tea plantation, which need to be tapped and managed to be benefit of all without which the full potential of the state for tea plantation cannot be achieved.

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