

Tea A Tea

Special Issue On Tea Small Holders



NATIONAL TEA & COFFEE DEVELOPMENT BOARD
NEPAL
1994

Message

It is my pleasure to congratulate National Tea & Coffee Dev. Board in releasing the second issue of "Tea A Tea" Vol. II. Yearly I.

Tea in small holders, as one can find out, as one goes through this issue, has a tremendous future potentiality for export. To gear up the process, it is my honest belief that supporting Govt. policies would wave out a positive response from all those concerned with tea & tea trade.

I hope, the Board will keep releasing such series in future with equally informative articles & news about tea.

R. K. Mainali

R. K. Mainali
Chairman
Minister for
Agriculture, Land Reform & Management.

PREFACE

Tea cultivation at farmers level is expanding rapidly in Nepal . At present about 1171 farmers are actively involved in tea growing in four eastern district of the country. While in the year 1978/79 when Tea Out Growers Scheme started, only 8 farmers were involved in tea growing. In the year 1984 the number increased to 89 and now within a decades time we sure have an interesting figure. The figure which sure needs evaluation, calculation and of course, multiplication and for which we need all the support from the Govt. A Support, strong enough for multiplication, for the same implies for surging up our tea industry for growing national economy and also for the international competition.

It is my earnest hope that this publication of "Tea A Tea" (a special issue on Tea in Small Holders in Nepal) will help our tea industry surge ahead.



*Executive Director
National Tea & Coffee Dev. Board*

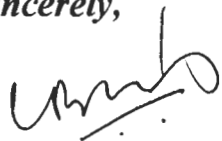
Foreword

Despite tea's importance to the national economy and development, tea industry in our country has tended to keep a very low profile. Keeping in view of the 'tea on small holders' and the command that 'it' has on our overall tea industry, we at the Board felt that it is high time for tea small holders to peep up and stop hiding their heads under their tea bushes. In persuasion, this publication of Tea A Tea features specifically on Tea on small holders and is the second publication of it's future series. Encouraged by the response received from the readers, attempts here have been made to reveal our teas in small holders which we at the Board feel that all those concerned will find it useful.

I sincerely hope that the information emanating from this issue would be imbibed by all and effectively used in the field to achieve the targets in the years to come.

I am happy to place on my record, my heartfelt thanks to Mr. P.R. Sapkota - Planning & Monitoring Unit. NTCDB in helping me publish this, as well as the previous issue of 'Tea A Tea.'

sincerely,



C.B. Subba
Tea Specialist
National Tea & Coffee Dev. Board

Prelude:

Registered Small Holders on Tea with the outcome of Out Growers Scheme (O.G.S.) came into the Industry well over a decade of the establishment of Nepal Tea Development Corporation (NTDC) in Oct. 1966. With the result of establishment of Kanyam Tea Estate in Ilam by NTDC, small villages enveloping Kanyam Tea Estate were the first ones to start growing tea at farmers level. Eight pioneer small farmers planted tea on 79 hectares at Kanyam village of Ilam district. Gradually, with the seed plants donated from NTDC, the area and number of tea small farmers increased and in the year 1984 the number of farmers increased from the initial 8 farmers to 89 farmers. However the increase in area was very low. After the commencement of OGS, the HMG/N through NTDC started encouraging out growers of other districts to plant more tea. At present the statistics is something like 1171 farmers on 534.76 hectares in 4 districts of Nepal.

The Story of Tea in Small holder

Tea plantations in the hills of Darjeeling, bordering India and Nepal were already in a bloom when Nepal entered the tea scenario. It was only in 1966, when the HMG/N realised a real need for a viable tea industry in Nepal, that Nepal Tea Dev. (NTDC) Corporation Ltd was established, in order to promote and expand tea cultivation in Nepal. Later in the year 1978, Overseas Development Administration (ODA) entered into an agreement with HMG/N where by tea project would be financed jointly by the Nepal and British Government. In the year 1976, ODA submitted a report on tea in small holders. The report reflected a positive response and further with the fact that tea in small holders had already been started by few farmers, tea in small holders started in the year 1979 as ADBN project on Outgrowers Scheme. During initiation there were only 8 farmers who ventured into tea planting on 79 hectares of their land. In reciprocation of the effort made by the tea authorities, in the year 1984, the statistics increased to 89 farmers on 88 hectares which was far too low from the expected result. The major constraints to an increasing rate of expansion were:-

- ☞ Lack of a road.

- ☞ The price paid for green leaf was only Rs. 4.50 per kg which was not competitive with the price paid for leaf on the border i.e. Darjeeling Hill Plantation.
- ☞ The crux of the problem was that the Darjeeling average price for tea sold in Calcutta auction during 1986 was equivalent to Rs 77.52 per kg so that Darjeeling Hill Plantation could afford to pay high price for green leaf whereas the NTDC had difficulties in selling their own tea at an average price of Rs. 40 per kg.

In the year 1982, after His Majesty the King visited the eastern zone of Nepal, Tea Sector enjoyed an interest subsidy of 50%, 90% land revenue relaxation, relaxation in land ceiling, Technical support and credit facilities through Agri. Dev. Bank. This resulted in the establishment of Tea Extension Projects in the year 1983 with six service centres in the four districts of the eastern zone of the country operating under NTDC. But unfortunately, owing to various reasons, tea sector could not enjoy the facilities for long. In the year 1989/90 the interest subsidy of 50% was completely removed. This caused a heavy setback among the private investors in tea and many who had invested or were planning to invest on a larger-scale, withdrew themselves. Again, recently with the effort of NTCDB, the interest rate of 18% has been reduced to 14% and the Extension Project which was operating under the NTDC's management has been handed over to the Board.

Tea Small holders, the present Scenario

Looking back to the past and the way small holders took root in Nepal, it is obvious for one to notice that the development in recent years has been better. As for now, with the establishment of NTCDB and with the loan facilities and low rate of interest coupled with better price realisation for farmers green leaf, it can be well projected that the involvement of small farmers in tea growing will keep increasing. At present small holders commands about 13% of the total area of the industry.

The increased farmers involvement with increased area command can be well attributed to various factors like, increased awareness towards tea growing, supporting govt. policies and higher rate of return from tea as compared to other crops. Though the production at present is not eye catching, in future it can be well estimated that the production of tea from small holders which is generally assessed as high quality tea, will sure reach the competitive status. At present small holders produces about 1,20,000 kg made tea per annum and by the next year, the production is projected to increase upto 1,80,000 kg made tea and every year it can be projected an increase of 35,000 to 45,000 kg made tea annually and by the end of this century it is estimated that

the production will reach a gross level of 3,20,000 kg. This is because the present plantation will by then have reached the commercial stage. It should further be noted that the productivity is taken only at a mere 600 kg/ha which is only 40 kg higher than that of Chinese and 1086 kg lower than that of Kenyan tea gardens.

Rationality of Tea Cultivation in Hills

The tea cultivation in Hills should be given priority because of the following reasons:

1. Tea cultivation in Hills is more beneficial than in Terai.
2. Tea development can raise income and augment employment opportunities in Hills.
3. Tea produced in Hills is of high quality and have high demand in overseas market.
4. Marginal land of the Hilly areas can be utilized by encouraging tea cultivation amongst small holders.
5. Tea development in Hills will improve the ecology and environment in the hilly areas.
6. Tea production in Hills could be a means to reduce the pace of Hill/Terai migration.
7. Tea production in the Hills gives more financial and economic returns as compared to other alternative crops.

Table No. 1
Comparative Cost and Return of Tea versus Other Crops

Crops	Costs (A)	Return (B)	Benefit (B-A)
(i) Tea			
0-4years (cumulative)	35,190	0	-35,190
5th year	4,870	2,070	-2,800
6th year	6,140	4,150	1,990
7th year	6,270	8,300	2,030
8th year	7,220	12,450	5,230
9th year	8,130	20,750	12,620
10th year onwards	8,540	24,690	16,150
(ii) Amliso			
1st year	5,200	3,210	-1,990
2nd year	1,600	6,420	4,820
3rd year onwards	2,400	9,800	7,400
(iii) Paddy	7,640	11,000	3,360
(iv) Wheat	8,300	9,620	1,320
(v) Maize	5,260	9,500	4,240
(vi) Millet	5,080	6,500	1,420
(vii) Potato	15,930	26,000	10,070
(viii) Ginger	30,750	37,500	6,750

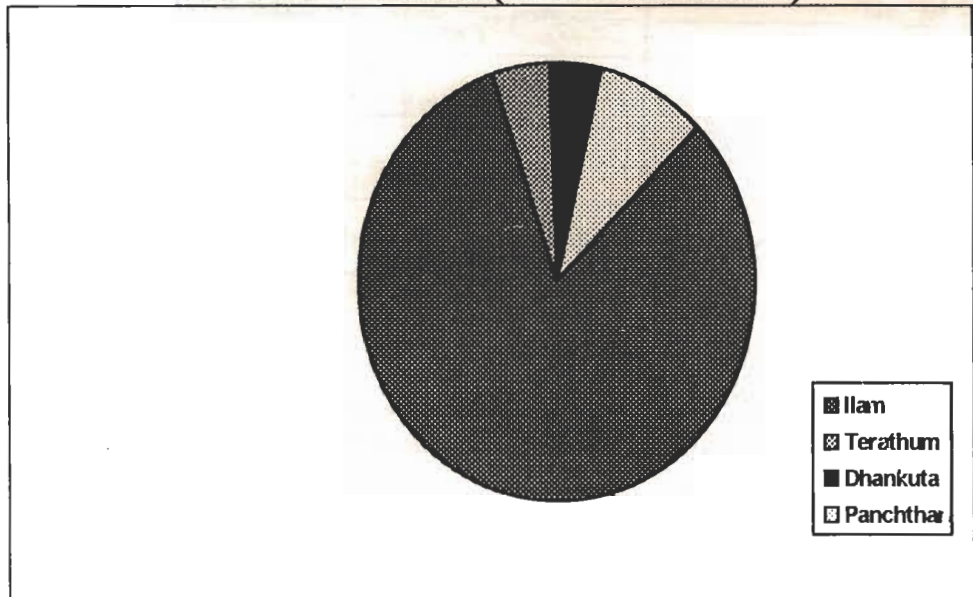
Sources: A study report on the "problems and prospects of small holders Tea scheme in Nepal" winrock International, Kathmandu, Nepal /January 1992.

Table No. 2

Tea Small Holders

S. N.	Districts	No of Farmers	Area Ha.	Percentage Total Area
1.	Ilam	773	441.15	82
2.	Terathum	71	24.15	5
3.	Dhankuta	43	23.4	4
4.	Panchthar	284	46.25	9
	Total	1171	534.76	100

Tea Small Holders (Area Distribution)



Source: National Tea & Coffee Dev. Board

Table no. 3
Tea Area Trend
(1979-1994)

S. N.	Year wise Tea Area Distribution	Tea Extension Project					
		Fikkal Service Centre Districts Ilam	Jasbire Service Centre District Ilam	Mangalbare Service Centre District Ilam	Lalikharka Service Centre District Panchthar	Solma Service Centre District Therathum.	Hile Service Centre District Dhankuta
1.	1979	49.05	-	-	-	-	-
2.	1980	56.08	-	-	-	-	-
3.	1981	60.05	-	-	-	-	-
4.	1982	90.15	-	-	-	-	-
5.	1983	101.55	-	-	-	-	-
6.	1984	106.6	-	-	-	-	-
7.	1985	130.3	-	-	-	-	-
8.	1986	142.3	-	-	-	-	-
9.	1987	173.25	-	-	-	-	-
10.	1988	191.1	2.15	8.75	1.25	5.75	0.8
11.	1989	205	7.7	14.25	16.8	12.45	3.01
12.	1990	220.3	16.45	26.35	31.3	19	13.31
13.	1991	243.3	26.3	48.35	36.45	20.85	20.56
14.	1992	249.2	38.3	48.75	37.75	21.65	24.16
15.	1993	257.4	97.9	85.85	46.25	24.15	23.21
16.	1994	257.4	97.9	85.85	46.25	24.15	23.21

Source: National Tea & Coffee Development Board.

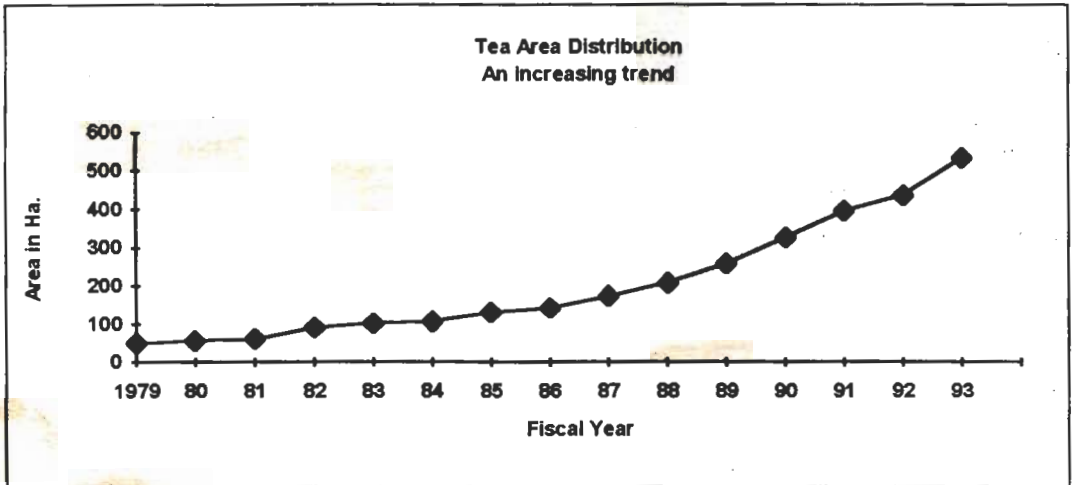
Figure: (in hectare)

Table No. 4
Tea Area - an increasing trend.

S. N.	Year of Planting	Area Ha.	Year wise Increase in Area
1.	1979	49.05	
2.	1980	56.08	7.03
3.	1981	60.05	3.97
4.	1982	90.15	30.1
5.	1983	101.55	11.4
6.	1984	106.6	5.05
7.	1985	130.3	23.7
8.	1986	142.3	12.0
9.	1987	173.25	30.95
10.	1988	209.08	35.83
11.	1989	259.21	50.13
12.	1990	326.71	67.5
13.	1991	395.81	69.1
14.	1992	438.41	42.6
15.	1993	534.76	96.35
16.	1994	534.76	

Source: National Tea & Coffee Development Board.

Tea Area - increasing trend.

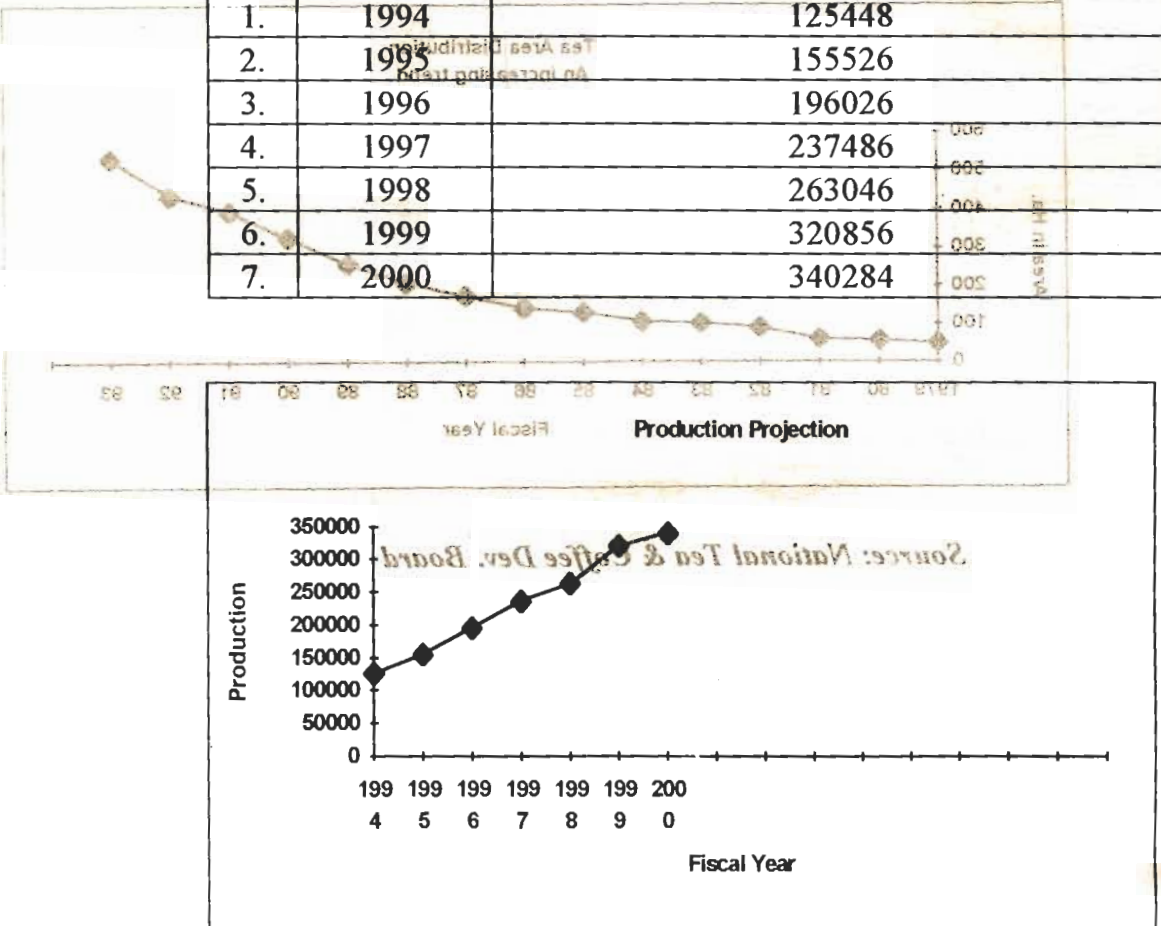


Source: National Tea & Coffee Dev. Board

Table No. 5

Production Projection

S.N	Year	Estimated Year wise Production Projection (Kg)
1.	1994	125448
2.	1995	155526
3.	1996	196026
4.	1997	237486
5.	1998	263046
6.	1999	320856
7.	2000	340284



Source: National Tea & Coffee Dev. Board

Table No. 6

Average Land Size Holding under Small Holders

Sr. No.	Service Centre	Size of Land		
		Maximum	Minimum	Average
1.	Hile, Dhankuta	3.3	0.15	0.85
2.	Mangalbare Ilam	7.0	0.1	1.69
3.	Fikkel, Ilam	9.9	0.05	1.17
4.	Jasbire, Ilam	5.0	0.05	1.44
5.	LaliKharka, Pachthar	2.5	0.02	0.22
6.	Solma, Terathum	N.A.	N.A.	N.A.
7.	National	-	-	0.81

Source: National Tea & Coffee Development Board.

There are about 1171 out of this about 653 farmers are actively involved in tea growing and the rest are looking after the nursery management and practices.

The table gives out a heterogenous figure. Maximum size of land holding is 9.9 ha. at Fikkel, Ilam and minimum size is 0.02 ha. at Lalikharka, Panchthar district. Average size of land under Tea in the country is 0.81 ha.

Table no. 7
Caste - Ethnic Composition on Tea Small Holders (as of 1994)

Caste - Ethnic Group on Tea Small Holders	Percentage
Bramhan/Chhetri	41
Newar	3
Magar	2
Rai	23
Limbu	13
Gurung	3
Sherpa	4
Tamang	5
Others	6
Total	100

Source: National Tea & Coffee Development Board.

Table no. 8
ECA WITH RESPECT TO TECHNICAL MAN POWER
(1994 - 1995)

Sr. No	Service Centres	Extension command Area (In Ha)	No of farmers	Staff supervisors						One Person per no. of Farmers to be monitored
				Technical Officers Per ECA	Field supervisor per ECA	Junior technical Assistant per ECA	Technical Assistant per ECA	labourer	Total	
1.	Jasbire, Ilam	97.9	260	1				1	2	130
2.	Mangalbarie, Ilam	85.85	233		1	1			2	116.50
3.	Fikkal, Ilam	257.4	280		1		1		2	140
4.	Lalikharka, Pachthar	46.25	284	1			1		2	142
5.	Solma, Terathum	24.15	71		1		1		2	35.5
6.	Hile, Dhankuta	23.21	43	1				1	2	21.50
	Total	534.76	1171	3	3	1	3	2	12	

Source: National Tea & Coffee Dev. Board

**Reference: Tea Dev. Report
Harrison Fleming Advisory Services Ltd
1987
Tea Times**

***A study Report on the "Problem and
Prospects of Small Holder Tea Scheme in
Nepal". Winrock International, Kathmandu,
Nepal.
January 1992.***