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LESSONS THAT CAN BE LEARNT FROM THE DEBACLE OF THE SOUTH AFRICAN TEA INDUSTRY

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Reading some of the views expressed by eminent personnel in the Sri Lankan tea industry, and also consequent to my discussions with those managing tea plantations. it is quite apparent that this industry is in dire straits, giving a symptomatic impression that viability is being seriously threatened. The primary cause of this predicament at this juncture, appears to be the new wage structure recently introduced resulting in a sharp spike in the cost of production challenging profitability. This has inspired me as an ex-Sri Lankan tea planter, with nearly half a century of exposure in the industry both in Sri Lanka and South Africa, to pen a few lines based on my own experience, and the lessons that can be learnt from the South African debacle.

The South African tea industry is relatively very small, and at the best times had about 6500 Ha tea producing around 11 m kgs of tea per annum. This translates to an average yield of 1700 kgs per ha. Most of the tea was seedling with some clonal plantings as well. With the dawn of the new millennium. the powers that be, and perhaps for good reason, and as a progressive measure, introduced a minimum wage to the Agriculture sector in general, ignoring the fact the tea industry should be a separate sector being in a different milieu. This resulted in a steep increase in the wage bill, which is essentially the biggest expenditure in the working budget, and estates rapidly became non-viable. In spite of several attempts and agitation by the growers to seek relief from the authorities, no assistance was forthcoming and the operating Companies closed down their businesses. Closure of the tea estates did not have any impact on the economy , as it would if it were to happen in Sri Lanka, as the tea industry was insignificant when compared to the resources from the Gold, Platinum, Diamond, and Coal mines, together with farming and other industries. However, what is of significance was the loss of thousands of jobs in deep rural areas where job opportunities are virtually non existent. Be that as it may, one or two plantations have, after a lapse of several years, been re-opened with Government assistance by way of grants. This was mainly to oblige the cry for employment in the rural areas. It is relevant to mention that majority of the tea lands in South Africa belong to the State. The writer himself was involved in establishing a new plantation with superior cultivars [clones], including a production plant, housing and other infrastructure. This was a Rural Development initiative of the Government undertaken in an

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impoverished deep rural area in Zululand, Natal. The project involved not only establishing the plantation but also the development of the surrounding communities. In this regard, roads, provision of potable water, electricity, schools, crèches, communication, and of course generating employment were the primary objectives which were successfully achieved. Due to the nature of this project the estate continues to be in operation with Government assistance but, not so forever. Action has therefore been initiated to diversify to low caffeine Green tea , using latest Japanese technology, and value addition. Various stake holders are objectively exploring multitudinous possibilities and cogitate on further proactive measures to place the project on a sound financial footing in the long term.

MULTIFARIOUS STRUCTURE

When 'red lights' were flashing for the tea industry in South Africa, some diversified to Macadamia nuts and coffee for the long term, and in the short to medium term, cash crops to minimize losses. In Zimamabwe, a large Tea Plantation Company has conceptualized that an enterprise is similar to a' 3 legged stool', which cannot stand on one leg. Hence, proactive measures were taken to develop the other '2 legs'. This is being achieved first, by identifying un-economic tea areas together with available fallow land. After assessing all agro-climatic conditions suitable for permanent crops, an informed decision was taken to plant Macademia nuts, Avacado and coffee with hybrid cultivars using the latest technology available to meet international standards. These crops will be targeted for export to European markets. It is forecast that within the next 5/6 years, this company will be on a sound financial footing, and most importantly will be in a position to tide over depression and volatilities in commodity markets, and escalating costs by having a multifarious structure. In the short term extensive cultivation of potatoes, soya beans and maize have immensely brightened the cash flow.

LABOUR SHORTAGE

Shortage of labour is not only a phenomenon in Sri Lanka but in many tea growing areas in the African continent as well. There are many reasons for this and a major contributory factor has been HIV and AIDS which has had a disastrous impact. Certain estates were compelled to abandon fields, particularly during rush cropping periods. The reluctance of the progeny of estate workers to continue in the same profession is understandable and is a reality that needs to be addressed. This brings to mind, a case in point. Way back in the 1980's, one of my staff on Hauteville estate who was the store keeper, had two sons and a daughter. This person obviously had a vision for his children and sent them to the best schools in Colombo. Today, all three are chartered accountants. This could be an exceptional case but the basic principle of migration from the plantations, for whatever the reason is a reality and cannot be entirely reversed.

I wish to mention of another very progressive and innovative system adopted in Zimbabwe to address the problem of labour shortage. I must categorically state at the very outset that I am in no way

advocating the employment of child labour or suggesting a similar scheme, but purely highlighting the degree of innovative thinking by management. The system is very simply a process of providing children, both male and female above the age of 14 years, coming from any part of the country, to further their education up to GCE `O` level in schools managed by the estate. All facilities are free of charge, including board and lodging in hostels, sports and medical. The only requirement is that these students harvest leaf for certain number of hours before attending school for which they are paid. There are about 500 students currently on this scheme. It is a program that has been in place for many years and some of the students who have gone through this system have subsequently qualified as lawyers and accountants. One of them is now the Principal of the school.

It is relevant to mention that overseas buyers, especially in the UK, acknowledged the scheme, and have fully supported the teas from this Company.

How can the problem of labour shortage be addressed ? Address we must, and give it priority. Mechanization and improved productivity !!!!

MECHANIZATION

Mechanical harvesting has been tried, tested, and discussed for many decades but not with any conviction, particularly in Sri Lanka. The research institutes have also initiated many trials, and two aspects stand out and are always a concern. That being, the quality of the end product and possible lowering of yields in the long term. In spite of these concerns would it not be a better option than abandoning fields/delaying plucking rounds and incurring losses? This is the principle issue that needs evaluation and grist to one`s mill. Estates in Africa, where mechanical harvesting has become the only option, acceptable results have been achieved when compared to the loss of having to abandon fields.

Several types of mechanical harvesters are available, from shears to hand held and ride on machines. In Japan where all the tea is mechanically harvested, in very steep areas, similar to the Sri Lankan terrain, shears and hand held machines are successfully used. It was interesting to see trials being carried out by Japanese research personnel, where in flat areas, unmanned harvesters on rails, driven by remote control aremanoeuvred efficiently to harvest leaf.

Planning, logistics and management of mechanical harvesting does require a fastidious approach, and an operation of military precision to achieve the best results.

In the Factory, emphasis on automation can reduce labour requirements. The CTC process in particular, and in the factory I was involved with in South Africa, only two skilled workers managed the rolling, fermenting and dryer departments. In the sorting room it is possible to reduce the worker strength by at least 50%. In the withering section too, several aspects if looked into, appreciable savings can be made.

ROTORVANES AND CTC

The introduction of Rotorvanes and CTC machinery, and the teas produced were never accepted to be in the same league as orthodox teas, and Sri Lanka teas continue to be synonymous with the Orthodox process. Be that as it may, it is worth mentioning that in the early 1970`s, Brooke Bond initiated Rotorvane/ CTC trials, on Hautevile estate, Agarapatana. At the time, Kenyan CTC teas had a reputation of being strong , full bodied and the best CTC tea in the market. Hauteville CTC trials proved successful and teas produced were comparable to the Kenyan teas in strength and character. I cannot altogether rule out the possibility of producing a CTC tea with` Ceylon` character.

Being involved in producing CTC teas for over two decades in Africa, I am strongly of the view that estates in the mid country in particular, where Dimbulla, Dickoya, Uva and NuwaraEliya flavour and quality are not an inherent feature, could benefit from producing CTC type teas . This argument can hold for any estate not inherently benefiting from the flavoury/quality parameters. Currently, Kenyan CTC teas are achieving between US$ 3.50 – USD$ 4-00, which is higher than the current average price at the Colombo Auction. If tea bag type tea is in greater demand, and commands a remunerative price, then CTC manufacture will be the answer.

DIVERSIFICATION

I wish to highlight some of the diversification efforts that were made, during my tenure in Sri Lanka, under Brooke Bonds.

SERICULTURE

A visit by a London Director to Galaha Estate, took an interesting turn when a recommendation was made to diversify about 50 acres of poor yielding tea to Sericulture. This project got off the ground with much enthusiasm and vigor. The writer was sent to India for training in sericulture. Within two years a healthy mulberry plantation was established, which included a clone from India, `Kanva 2`. This clone performed exceptionally well, with much larger leaves and higher volumes.

One of the lofts at the Galaha factory was converted to accommodate the silk worms and produce the cocoons. As a matter of interest, the Galaha factory built in 1880 *was* the oldest tea factory in Sri Lanka, and the only one with a tile roof. This factory has since been burnt down. The sericulture project was a success and silk was produced from the cocoons harvested. I still boast of a sample of silk thread produced at Galaha tea estate. There is no doubt good potential exists for silk production in this area. If not for the major changes that affected plantations after nationalization, the sericulture project could have made a significant contribution towards the overall viability of the tea operation.

CHICORY AND SOYA BEAN

In the early 1970`s, Brooke Bond initiated the inter planting of Chicory and Soya Bean on Campion estate, Bogawanthalawa, during the first year after replanting. Good crops were harvested. A clear indication that such crops, planted on a large scale can have the potential to improve the financial status.

OTHER POSSIBILITIES

CASHEW NUTS

In South Africa, I was also involved in the establishment of a 1000 Ha cashew nut plantation. I had the privilege of hosting the General Manager of the Sri Lanka Cashew Corporation at the time. It was planted with clonal material, some of it from Brazil and at the time of his visit, the trees were in full bearing. He took some clonal cashew seeds back with him to Sri Lanka. I subsequently learnt that these seeds were successfully grown in the Puttalam area. Cashew is another crop that has good potential to be planted on a large scale in the right agro climatic area.

MACADAMIA NUTS - MANGOES – AVOCADOS – CUT FLOWERS

All of the above can be planted on a commercial scale on suitable land with the right agro-climatic conditions. These crops can provide long – term sustainability, and should conform to international standards to capture the lucrative export markets.

ÅSSISTANCE FOR DIVERSIFICATION

Any form of meaningful Diversification can only be successful if adequate incentives and financial assistance is provided. To this end, all Role Players need to formulate a strategic action plan.

TEA RESEARCH

A few thought provoking ideas to ponder and deliberate.

- Is a two year rehabilitation period absolutely necessary? This has been the practice from inception, and should it not be reviewed with possible alternatives to achieve similar objectives in a shorter period.
- Double node cuttings can reduce nursery time by half. Also nursery space by 50%. The writer successfully achieved this in South Africa and established many hectares of clonal tea.
- Pest Control – A pesticide free product will command a definite marketing advantage. Is Sri Lanka teas getting any closer to this status.
- Kenya has recorded yields of around 10 tons per ha, and Malawi in the 8 tons per ha range, in some of the clones planted. Are the prospects bright for developing clones where yields will be higher than currently achieved.
- Top-working : ie, grafting scion on to existing root stock. Where there is a good stand of tea, top working can in the medium term, increase yields within a shorter time frame.

PRICE OF TEA

While I do not wish to be controversial, the question needs to be asked whether the producer is getting the right price .The Buyer operates within given parameters ensuring a profit margin, and is also the same throughout the entire value chain with the exception of the grower. The grower cannot stipulate a price to ensure that he at least equates his operating costs. The Buyer on the other hand advocates and gives cognizance to programs such as ISO, HACCP, Rain Forest Alliance with buzz words carbon foot print`, and so on. A slogan of one of these programmes says "Improving the lives of tea workers and their environment". Implementation of these programmes come at a price and estates have made a genuine effort to comply, and is commendable. What contribution has the buyer, and in turn the consumer, made to compensate the grower and acknowledge by buying the tea at a price that will at least meet the cost of paying a living wage to the worker. It is realized that some of these programmes attract an incentive, but such a `sweetener` does not make a meaningful contribution to the required price structure. When a living wage is determined by the authorities, the decision needs to be respected, and unless the product receives a price above the cost of production, then either a living wage cannot be paid or the operation will run into liquidity problems. Hence it appears necessary that a threshold price be determined. Controversial no doubt, but food for thought to debate and evaluate.