

# THE PROBLEMS AND CONSTRAINTS AFFECTING THE TEA SMALL HOLDER IN SRI LANKA

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Sri Lanka is one of the largest tea producers and exporters in the world. The tea industry makes a vital contribution to the economy of this country and receives very high priority in the Government's development programmes. Tea cultivation is carried out in the larger units or Estates as well as in smaller units or Small Holdings. Such small holdings range in size from as small as 0.2 ha to 4 ha in size. In certain areas of the country tea cultivation is the main source of income for the small cultivator. Approximately 20% of the total acreage in tea in Sri Lanka is in small holdings.

Although the tea industry still maintains a pre-eminent position in the economy of Sri Lanka, tea production has been steadily declining since 1965. World production on the other hand, increased by 50% during the last decade. Whilst most of the tea producing countries have increased their production, Sri Lanka has been experiencing a continuous downward trend in total production. The Government of Sri Lanka is taking every possible measure to improve the tea industry by way of various subsidies and other inputs. The Tea Research Institute (TRI) is carrying out excellent research work and has introduced many useful practices including high yielding clones, newer forms of fertilizer mixtures and other recommendations which contribute towards higher productivity. Despite such efforts aimed at increasing productivity, the performance of the larger number of tea small holdings has been disappointing. The productivity amongst such small holdings is on the decline. One of the important reasons for such a predicament is that most of the small holders do not seem to adopt the improved technologies

that are being transferred to them. The productivity of the tea areas owned by a few small holders who have a proper financial backing is generally high as they implement most of the improved practices recommended by the TRI. There is thus a good potential to improve the properties and generate higher incomes amongst the small holders if they could only implement the proper recommended practices. Unfortunately many of these small holders do not seem to be in a position to implement such good husbandry techniques and other available facilities due to a multitude of problems and constraints they are faced with. Unless such problems are satisfactorily resolved, one cannot expect the lot of these small holders to improve to any significant degree.

The following are some of the problems faced by the tea small holders.

1. Inadequate out-reach extension facilities.
2. Lack of ready credit facilities for the various important agricultural inputs.
3. Non-availability of essential inputs (fertilizer, chemicals, equipment).
4. Lack of adequate good planting material.
5. Exploitation by private leaf collectors (middlemen).
6. Difficulties of leaf transport.
7. Inadequate manufacturing facilities.
8. Minimum link with the manufacturers (factory).
9. Uncertainties of a guaranteed price.

**1. Inadequate out-reach extension facilities:**

The lack of a proper out-reach programme through an effective net-work of an extension service plays a very important role in this aspect, which has

resulted in low yields per acre. The Tea Small Holdings Development Authority have had inadequate resources to serve about 131,621 small holders cultivating 177,910 acres scattered in 10 different districts. While the powers of the Authority are wide, its resources and manpower are inadequate to provide a basic service.

The Extension Worker is also involved in regulatory functions such as subsidy inspections, data collections and sometimes even fertilizer issues, in addition to his normal schedule of duties. This prevailing system is thus very unsatisfactory. An Extension Worker should not handle both regulatory work and at the same time advisory work. By handling both types of work, the extension worker is compelled to concentrate almost entirely on the regulatory functions at the expense of rendering valuable advise to small holders. Therefore, it is clear that unless the regulatory functions of the extension worker are separated from extension activities, a meaningful service cannot be rendered to the tea small holders.

It is very essential for the Tea Extension Worker to be very thorough in his subject. The main responsibility of this Officer is to disseminate research findings and to provide advice to tea growers on problems encountered by them. The diffusion of an innovation will take place properly only if the extension worker has a good knowledge about it and ability to communicate well.

## **2. Lack of ready credit facilities:**

This is one of the main factors that influences small holders to refrain from the adoption of new technologies. The farmer needs finance to carry out the recommendations. It is usually found that the farmer is compelled to spend even the little savings that he has on urgent domestic matters as he feels that his family affairs are more important than his farm matters. Most of the tea small holders who possess a good knowledge of improved practices recommended by the Tea Research Institute do not adopt them due to financial difficulties, although they are aware of the advantages of the practices.

Thus, the availability of credit for the tea small holders is crucial. The tea small holder usually requires finance during the following stages:

- (a) Uprooting, land preparation and planting
- (b) Manuring

(a) Uprooting, land preparation and planting -

New planting and replanting subsidies are usually paid to the grower in several instalments once the operations have been completed. In the case of the tea small holder, he needs money in advance to do these operations. Most of the small holders are not able to complete the land preparation work in time for planting or sometimes they complete the land preparation work but are unable to commence planting due to lack of finances unlike large estate owners or the few small holders who can afford to complete these operations at the right time. As a result, both these operations get delayed and the planting is done hurriedly towards the tail-end of the monsoon which invariably leads to casualties in his tea clearing during the following dry season as the plants have not had sufficient time to get established in the soil.

(b) Manuring -

The increase of yield in tea mainly depends on the quantity of fertilizer used. As young tea requires six and mature tea four to five applications of fertilizer per year, the farmer needs money to purchase fertilizers at the appropriate times if he is to adhere to the correct recommendations. The green leaf producers normally receive payment for their green leaf, from the buyers only the following month. Therefore, the small holder is unable to purchase a load of fertilizer as and when the need arises unless the dates of fertilizer applications coincide with the dates of his receiving payment for green leaf which is very unlikely. He may then sometimes try to apply fertilizer at a later stage when he gets his money which may be even during a dry period which is unsuitable for manuring and invariably wastes his money by this application.

Therefore, if all the small holders are either made available with fertilizer on a credit basis, as in the case of some TSHDA factories or financial credit facilities as regards fertilizers, this problem could be overcome very easily.

### **3. Non-availability of essential inputs:**

Non-availability of inputs like fertilizer, fungicides, insecticides, herbicides and equipment is one of the major constraints of the tea small holder. The Tea Small Holdings Development Authority has recently attempted to make available fertilizer at closer locations but the availability in convenient locations is still limited. The small holders have to purchase fertilizer from private local dealers and they complain that the fertilizer is highly adulterated. The small holder is compelled to purchase his fertilizer from a local dealer nearby although he may be fully aware that the dealer has a bad reputation of adulterating manure. He has no alternative.

It has very often been found that most small holders do not use pesticides and herbicides when necessary due to non-availability of such items in their areas. Nursery failures are very often due to lack of agro-chemicals being sprayed at the right time.

### **4. Lack of adequate good planting material:**

It is also a problem for the small holder to obtain recommended vegetatively propagated (VP) planting material such as shoots for their nurseries. These recommended clones are being sold as "planting shoots" only at the Tea Research Institute Extension Centres and a few Estates. The small holders have to come to these places from distant places to collect their requirements.

Some small holders have to wait on the road for long hours for public transport and during this period the VP shoots tend to wither and become unsuitable for planting in the nursery. Availability of these varieties

are very poor in the villages. The best success from VP shoots is achieved when it is transported in the shortest possible time. The large farmers are at an advantage because of their own transport and some of them own "mother bush" areas as well.

At present vegetatively propagated nursery plants are supplied to the small holders by the TRI, TSHDA, SLSPC, JEDB and a few other private nurseries. These nurseries will serve satisfactorily only to those around such locations. The small holders who are far away from these nurseries find it difficult to get plants at the right time due to the distance and the cost involved.

##### 5. Exploitation by private leaf collectors (middle men):

Non-availability of transport is a major constraint on the small holder. A large number of small holders depend on private leaf collectors to collect and transport their green leaf to the factories. In this process, the green leaf collector resorts to various malpractices. The small holder has to accept whatever price is paid by the collector as he is dependent on the collector to transport his leaf to distant factories. Although there exists a guaranteed price for the green leaf, the small holders are paid less than the guaranteed minimum price. In practice, the guaranteed price or the price formula is applicable to the collector rather than the small holder. The small holder is not certain of his factory facilities at all as he depends on the middlemen leaf collector to find him factory facilities. The collector feeds his green leaf quantity to about three factories as it is a large quantity.

He naturally would supply the factories that pay the higher prices and the balance which he is unable to give these factories will be given to the factories that pay low prices. When the collector pays the small holders, he pays the lower rate although a fair proportion of the leaf supplied by them (small holder) fetched higher prices.

## **6. Difficulties of leaf transport:**

It is clearly seen that inadequacy of the transport facilities is a great advantage to the middle man and a severe disadvantage to the small holder. The leaf collector (transporter) usually collects green leaf from a number of suppliers spread in the area in various villages and very often they delay the transport of leaf as they have a vast area and long distance to cover. The main objectives of the transporters is to collect and transport maximum poundage to the factory so that they would earn as much as possible in a single trip. The small holders' leaf is often damaged in transit due to overloading. Crushing, bruising and delay in getting the leaf to the factory lowers the quantity of made tea. Further, in certain areas as the collectors come only once a day, the previous day's plucking is often offered to them which also results in bad quality tea as the leaf has already become overwithered and spoilt. The green leaf collectors over the years have been effectively preserving for themselves the monopoly of the green leaf collection system.

## **7. Inadequate manufacturing facilities:**

### **(a) Factory capacity**

Lack of factory capacity was one of the major problems a few years back but it has eased out to a considerable extent after the TSHDA started their new factories. It is a common occurrence that the small holders who fail to find factory capacity on the same day of plucking are compelled to keep the leaf overnight or even for a day and then hand over the leaf. As a result of this, a part of the crop becomes matured on the bush, because they do not want to pluck any more as they have plucked leaf already with them. This leads to low yield per acre as well as reduced production and, as a consequence low prices. The percentage of off grade in the factories that manufacture poor quality green leaf is higher and these teas fetch a low price in the market.

### (b) Poor quality leaf

Poor quality leaf plays an important part in the case of certain factories. Some factories are reluctant to accept green leaf from the small holders as the small holder's leaf is supposed to be of poor quality. In such instances the small holder has to take it back home and find another factory which is not so strict on the standard of leaf. This often happens because the small holder is only concerned about his weight of green leaf rather than the quality.

The small holders cannot be blamed for this. They resort to coarse plucking due to the low prices fetched and the lack of an upward revision of prices when he provides quality leaf. This bias makes it logical for the small holder to maximize his income by increasing the quantum of leaf sold rather than rely on the more doubtful possibility of better prices for improved leaf.

### (c) Obsolete machinery

Some of the factories have obsolete machinery and this militates against the production of quality tea. It is very necessary that the quality of made tea is maintained in a highly competitive market. As a result, the price fetched is low in the tea sales and the small holder who is at the end of the production line is the one who is affected by this. If the factory produces good quality tea the small holder is favoured with a higher price. Therefore the profit margin of the small holder depends on the performance of the bought leaf factories.

### 8. Minimum link with the manufacturers (Factory):

In many cases there is no link between the grower and the manufacturers according to the present system of green leaf marketing. The link is seen only between the middle man and the factory. This is a disadvantage to the grower as well as to the factory. As a result, the grower does not know the actual price he is paid for his supply of green leaf. The price is only

known to the middle man who is called the supplier. The grower has to be satisfied with whatever payment is made by the supplier (collector). Therefore he has no incentive. The factory also has no way of convincing the grower about the advantage of supplying good leaf as its dealings are only with the supplier (collector). As a result of this the factory continues to receive bad leaf which results in low quality manufacture.

#### **9. Uncertainties of a guaranteed price:**

The price paid for the green leaf plays a very important role in respect of the small holder.

At present there is a guaranteed minimum price support scheme for green leaf. The green leaf price should be always ahead of the ruling production costs if the small holder is to get a profit. Therefore continuous monitoring of the cost of production (COP) is necessary. This would help to make corresponding adjustments to the green leaf price.

### **SOME POSSIBLE STRATEGIES TO OVERCOME THE PROBLEMS BY IMPROVING STANDARDS AND MAXIMIZING PRODUCTION**

#### **1. Green Leaf - Producer Societies**

(a) Organization of producer societies in every village would be a great advantage to the small holders in solving their main problem about green leaf collection and transport.

(b) Each society should be registered with a factory.

(c) The societies would be responsible for the collection of the members' green leaf.

(d) The factories should be provided with lists of members who supply green leaf to them so that they are aware of the suppliers from whom they are receiving the green leaf.

(e) No factory should be allowed to accept green leaf from outside sources other than from their registered societies.

(f) Each society must appoint a supervisor who should be responsible for the collections, weighing, recording and handing over of green leaf to the factory.

(g) The supervisor's salary could be met by the members of the society by way of a levy from members for each kilogram of leaf supplied.

(h) Producer societies should operate separate bank accounts where the proceeds of the societies' leaf is credited by the manufacturer (factory owner) for each month along with a statement of accounts.

## 2. Green leaf - Transport

Mere organization of producer societies will not serve the purpose as their success would mainly depend on the availability of transport facilities to transport green leaf from the collecting centres to the factory.

(a) The factories which accept green leaf from the societies should be given all assistance to increase their transport capability. This should be done by the TSHDA in the form of loans on easy terms or the provision of vehicles on lease.

(b) The responsibility of management and operation of the vehicles would be by the factory and the cost of transport would be borne by the small holder.

The advantages of this system are as follows:

(i) Elimination of the middleman.

(ii) No delay in transporting green leaf because the responsibility of transport lies with the factory and the factory would ensure that the leaf is brought to the factory for manufacture with the minimum delay before it is spoiled.

(iii) No unfair deductions are made on green leaf or unfair charges on transport to the small holder.

(iv) The factory gets better prices on the made teas as the leaf received is good and the small holder is at an advantage in turn and receives a higher income from his plot of tea.

(v) There is direct contact between the producer and manufacturer which would help the manufacturer to educate the producer to supply good quality green leaf and as a result the factory can improve the quality of made tea.

### 3. Supply of Inputs

(a) Explore the possibility of utilizing the state sector estates and private estates as outlets for the small holder's requirement of agricultural inputs.

(b) The cost of the fertilizer could be deducted from the income of the proceeds of the green leaf sales of the individual small holder.

(c) The distribution of fertilizer to the small holder could be done by the TSHDA lorries according to the needs of the small holders at the right time for manuring. The transport cost could be charged to the small holder.

(d) All expenses incurred by the estates in the manner of service to the small holders should be reimbursed by the TSHDA.

This method solves the problems of the small holders as regards their fertilizer in the following manner:

(a) The small holder receives genuine fertilizer and not adulterated.

(b) Fertilizer is received at the right time.

(c) No financial problems involved at the time of obtaining fertilizer.

(d) Increased crop due to proper manuring.

(e) Increased income due to increase of crop.

(f) No transport problem for the small holder for his inputs.

#### 4. Credit

(a) Credit for the small holder could be given on a bridge finance arrangement with the banks giving the subsidy as the security.

(b) The banks should release the money as an advance to the small holder for field work in instalments.

(c) The extension worker should ensure that the small holders who obtain such advances, utilize them in the proper manner. This could be done by way of inspections.

This arrangement would help the small holders to obtain an advance through the banks early to commence their agricultural work which is what is required.

## 5. Planting material - (VP plants and shoots)

The problem of supplying VP plants and shoots could be solved to a great extent in the following manner:

(a) Explore possibilities of obtaining plants and shoots from all estates.

(b) Increase the number of plants produced in the commercial nurseries run by the TSHDA.

(c) Encourage small holders to have their own nurseries for their requirement of plants and give them necessary advice.

(d) Establish more commercial nurseries under TSHDA in areas especially concentrated with small holdings.

## 6. Manufacture:

Lack of factory capacity can be solved by making use of the excess capacity in state owned factories, expanding the capacity of these factories wherever possible to cater to the small holders leaf,

factory development and modernization and construction of new factories in locations where it is necessary.

## 7. Extension Services

The small holders should first be able to reap the benefit of their present harvest of green leaf without any sense of frustration, or constraints, if he is to become receptive to advice on sound agricultural practices. The problems which have been mentioned relating to green leaf, collection, factories, credit and non-availability of inputs are the pre-requisites that need attention for a meaningful and effective extension service. It is only when the above-mentioned pre-requisites are satisfied that the small holder could be motivated, to adopt new agricultural practices, towards producing more yield through an effective extension service activity.

At present extension workers have to attend to all subsidy inspections, visit bought leaf factories to inspect and certify that proper records are being maintained, inquire into complaints of the tea small holders against green leaf dealers on short weights, unfair deductions for coarse leaf, water and unauthorized deductions for transport.

In addition to the above work-load the extension workers have to handle advisory work as well. It is seen in this set-up that the extension workers do regulatory functions at the expense of the advisory work. The extension worker is normally seen to act as an inspector and not as an advisor according to the present situation. The role of an extension officer and that of an inspector should not be played by one and the same person. The objectives of the two activities, inspections and extension are quite different and this conflict makes it very difficult for the extension worker to build up a good relationship with the small holder and gain his confidence. Therefore, to improve the

present unsatisfactory situation, it is suggested that the immediate requirement would be to remove the administrative functions of the extension worker. He must handle only the advisory work. The administrative work and subsidy inspections work will have to be handled by a separate staff.

#### THE OBJECTIVES OF THE ADVISORY SERVICE TOWARDS THE SMALL HOLDERS

- (i) Provide information - to provide information and technical assistance to enable the small holders adopt improved agricultural practices.
- (ii) Create awareness - to create awareness among small holders of the various facilities, services and schemes available to assist them in the development of their tea holdings.
- (iii) Motivation and participation - to motivate the small holders to participate in the various schemes of assistance provided.
- (iv) Education - to educate the small holder on how to apply the results and research on his land, and thus help himself.
- (v) To stimulate - to stimulate the grower to think about his cultivation problems and to think in terms of action.
- (vi) To liaise - to liaise effectively between research workers and growers, i.e. take to the grower the findings of research and to bring to the researcher the problems of the grower.
- (vii) Demonstrations - to initiate extension experiments (trials) on growers fields as demonstration plots in order to convince the grower of the benefits of research.
- (viii) Field days - to organize educational programmes for the grower through field days, symposia, exhibitions and advisory literature to teach them why a particular operation is carried out in addition to how it is done.