

Nepal Tea Report

Status of Smallholder Farmers and Workers in Tea Sector



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Nepal Tea Report: Status of Smallholder Farmers and Workers in Tea Sector

South Asia Alliance for Poverty Eradication (SAAPE)

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ACRONYMS

CTC	Crush, Tear, Curl
CTCF	Central Tea Cooperative Federation
DFTQC	Department of Food Technology and Quality Control
DKK	Danish Krone
FAPWUN	Federation of Agriculture and Plantation Workers Union of Nepal
FGD	Focus Group Discussion
FY	Fiscal Year
GEFONT	General Federation of Nepalese Trade Unions
GoN	Government of Nepal
INR	Indian Rupee
KII	Key Informant Interview
MoLESS	Ministry of Labour, Employment and Social Security
MSP	Minimum Support Price
NTUC	Nepal Trade Union Congress
NPR	Nepali Rupee
NTCDB	National Tea and Coffee Development Board
PAN	Permanent Account Number
RRN	Rural Reconstruction Nepal
SME	Small and Medium Enterprise
VAT	Value Added Tax
USD	United States Dollar

INTRODUCTION

Tea is a major cash crop in Nepal. With plantation spread in 14 districts over 17,000 hectares¹, tea contributed to 4 per cent of total export from Nepal in 2020, which is around USD 34 million.² Tea was the seventh major export from Nepal in 2020.³ Besides the consumption in Nepal, the made tea are exported to more than 30 countries, with the main export destination being India.⁴ Around 90 per cent of exported tea goes to India while the remaining are exported to Germany (2.84 per cent), Russia (2.58 per cent), Czech Republic (1.13 per cent), Japan (0.99 per cent), and the United States (0.95 per cent), among other countries (see Annexure 1).

Mainly, two types of tea are produced in Nepal: Crush, Tear, Curl (CTC) (62.10 per cent) and orthodox (34.21 per cent) (See Annexure 2). It is estimated that 45 per cent of CTC tea are exported and 55 per cent are consumed within Nepal, while 90 per cent of orthodox tea are exported and only 10 per cent are consumed domestically.⁵ There is no variation in CTC tea except that the grading is performed based on the size of tea grain. In the case of orthodox tea, there are four variations in Nepal based on the processing method: white tea, green tea, oolong tea, and black tea with white tea having prepared

with least fermentation and black tea having the highest level of fermentation. CTC tea is mainly exported to India while orthodox tea fetches more value in the European and the North American market.

Stating briefly the value chain of tea, the tea leaves produced by farmers reach processing factories either directly or through collector or through cooperative groups. In case of CTC tea, the made tea from factories are sent to different packaging centres for retail packaging. Such packaging centres do the blending and mixing and prepare different grades of CTC tea. The orthodox tea is mostly exported to international wholesalers by the processing factories themselves or via producer cooperatives.

Smallholder farmers (or tea peasants) and workers, who are at the beginning stage of value chain, have major contribution in tea production. 9,235 farmers or enterprises are involved in commercial tea plantation. Out of these 9,235 farmers/enterprises, 9,127 (98.8 per cent) are smallholder farmers while 108 (1.2 per cent) are large tea estates.⁶ In terms of area, 82 per cent of farmers do tea farming in less than one hectare (20 *ropanis* or 8 *kathas*).⁷ Estate plantation is spread over 7,060 hectares while total area cultivated by smallholder farmers is 9,845 hectares (see Annexure 3).⁸ This shows the importance of smallholder

farmers in the production of tea leaves in Nepal. Similarly, tea is a labour-intensive sector and employs around 40,000 workers in Nepal.⁹ There is a considerable participation of women workers in the sector, more so in the form of temporary employment. 48 per cent of the permanently employed workers are female while women contribute nearly 75 per cent of the total person-days in case of temporary employment.¹⁰

Although smallholder farmers and workers have a major contribution in production of tea leaves which serve as inputs for processing, they have, since history, been least compensated. Earlier to the establishment of processing factories, tea leaves were being dumped to India at whatever price the farmers were being provided. Tea peasants still have to struggle for getting a reasonable price for green leaves. Meanwhile, workers have to struggle against the factory-owners every two years for a meagre raise in their minimum wage. Workers are deprived of any substantial social protection programmes while they have been toiling in tea gardens for generations.

Amidst the struggle of peasants and workers in the tea sector in Nepal, this study identifies and analyses the problems faced by tea peasants and workers, including but not limited to, the price of green leaves, wage,

social protection, labour rights, unionisation and collective bargaining. This study further identifies the overall problems in the tea value chain, which has adversely affected the sustainable development of the sector and has ultimately failed to provide reasonable compensation for peasants and workers. Finally, based on the findings, the study recommends courses of action for different stakeholders in the sector to resolve the issues of tea peasants and workers, who have important contribution in tea production.

This study is based on field visits conducted by SAAPE Secretariat team in Jhapa, Ilam, and Sankhuwasabha districts between January 2022 and October 2022. It is a qualitative study based on Focus Group Discussions (FGDs) with smallholder tea farmers in Aarubote village, Fikkal (Ilam district) and Key Informant Interviews (KIIs) with smallholder farmers, trade union leaders, representative of National Tea and Coffee Development Board (NTCDB), former director from Nepal Tea Development Corporation, academicians, owner of a Small and Medium Enterprise (SME), representatives from tea cooperatives, and trade experts. A multistakeholder dialogue was held among the representatives from National Tea and Coffee Development Board, trade unions, cooperatives, farmers, and rights-based civil society organisations,

in Birtamod, Jhapa in March 2022. The findings obtained from FGDs, KIs, and multistakeholder dialogue have been corroborated with the information obtained through the review of necessary literature. The names of some of the interviewees have been disclosed upon consent.

MARKET: THE MAJOR WEAKNESS

Lack of diversification of export destination is one of the major weaknesses of tea industry in Nepal. Around 90 per cent of the made tea (that includes both CTC and orthodox) are exported to India (see Annexure 2). The made tea are sold to India where it is blended, packaged and labelled under the Indian brand and consumed locally or exported to third countries. This shows that the branding and marketing part is quite weak although the climate and soil in Nepal are much suitable for the production of high-quality tea, which can be exported at premium price to the European countries. Nepali tea is being sold to India without any branding, and India is already flooded with cheaper tea domestically. In this context, Gaurab Luitel, the then Acting Regional Director (Koshi province) of National Tea and Coffee Development Board (NTCDB), stated, “If we can sell beyond Indian market, then we can get better price, but we sell in Siliguri (India) where there is already cheaper tea.” In other

words, Nepal is losing value addition which it could have earned by exporting under its own brand at premium price. Failure to do so, for which both the industrialists and the government are to blame, has resulted in tendencies where private industries make profits based on cost-competitive strategy by squeezing on wages and other input prices (especially prices provided to green tea leaves). Nevertheless, the NTCDB has made some attempts by issuing a trademark called “Nepal Tea Quality from the Himalayas” for orthodox tea.¹¹ The Board has set criteria at the level of plantation and processing for the use of the trademark. Similarly, trademark for the Nepali CTC tea, named as “Nepal Premium CTC Tea” is said to be at the final stage of development.¹²

PEASANTS’ STRUGGLE FOR FAIR PRICE

The then king Birendra Bir Bikram Shah declared the five districts of Eastern Development Regions (currently lying in Koshi province) – Ilam, Jhapa, Panchthar, Tehrathum, and Dhankuta – as “tea zones of Nepal” in 1982, after which the number of tea peasants tremendously increased.¹³ The number of smallholder farmers (or peasants) further increased after the introduction of first tea policy in 2000. However, farmers with small landholdings started the cultivation of tea without any technical know-how by

following large tea estates. A farmer, who has cultivated tea in his land of area around 10 *ropanis* (around half hectare),¹⁴ shared his experience when he started tea cultivation in 1991, “We started without any good technical knowledge. We did not know anything at all. We planted anywhere, and we did not know what kind of saplings had to be planted. We only followed others.”

The major concern of smallholder farmers is that they are often provided with low price for green tea leaves. Historically, there were fewer green leaf processing facilities¹⁵, and farmers were exploited through low price. Harka Tamang, himself a tea farmer, and currently the President of Central Tea Cooperative Federation (CTCF) (which is an umbrella organisation for tea cooperatives in Nepal) said, “We were offered very low price for green (CTC tea) leaves, even up to four Nepali Rupees (NPR) per kilogram, during that time (around 2000), and we also were not provided with timely payment.”

The farmers we interviewed at Aarubote village stated that they received NPR 20-22 (around USD 0.16)¹⁶ per kilogram of orthodox tea leaves in the year 2020/2021.¹⁷ Although the COVID-19 pandemic had impacted the sales of finished products in the year 2020/2021, which could have impacted the price of tea leaves, the price provided

was much below the Minimum Support Price (MSP) set by Suryodaya Municipality. Suryodaya Municipality is the major hub of orthodox tea production. The Municipality had set NPR 40 (around USD 0.32) as the minimum support price for orthodox tea leaves in FY 2020/2021.¹⁸ However, the government at the centre and other provincial or local governments have not set any MSP for tea leaves.¹⁹

Tea farming is difficult to sustain with such low price as it barely covers the cost of production. For example, one of the interviewed farmers, who cultivate orthodox tea in Fikkal, stated, “The plucking cost itself is NPR 12 per kilogram. The cost of transporting tea leaves to factories is NPR 4 per kilogram. But, on reaching the factory, we could not even take NPR 20 per kilogram.”

SUSTENANCE VERSUS PRODUCING QUALITY TEA LEAVES

It is found, through the interviews with smallholder farmers, that some of them are aware that quality tea leaves, commonly called *dui paate ek suiro* or 'two leaves, one bud', fetch good price and with organic cultivation, the tea leaves would be valued even more. However, producing quality tea leaves is financially challenging and there is less incentive to do so due to low price being

provided to green tea leaves. One of the smallholder farmers, who also owns a small factory with processing capacity of 600 to 700 kilograms of tea leaves per day, provided an example,

Suppose I bought his [indicating a nearby farmer] tea leaves at NPR 80 per kilogram. If I were to buy at NPR 80 per kilogram, I would need small tea leaves. He would have to pay NPR 500 per day when he hires one labourer to do the plucking. That labourer can pick only three kilograms of tea per day when s/he has to pick only quality leaves. But the leaves will be sold at only NPR 80 per kilogram [the price offered for high quality leaves] The revenue is NPR 240 but the cost is NPR 500. Even the wage is not covered. So, rather than picking small leaves, it is beneficial for him to pick long leaves using machine and sell at NPR 40 per kilogram.

In other words, smallholders find employing labourers unsustainable as they get low price for leaves. Hence, as a survival strategy, most of the smallholder farmers operate tea farming entirely through the use of household labour and household space. For example, a tea farmer from Chichila stated,²⁰

We need at least five people to pluck tea leaves and two people for processing the tea leaves within 24 hours. In this case, we cannot afford to employ labourers since

the profit is limited. We brothers (indicating family members) manage it ourselves. Before, we used to employ one or two people but we have stopped that as well..... One labourer charges NPR 500, excluding food. We had much difficulty and hence, we had to abandon the tea farm.

Also, farmers prefer machines to labourers and sickles to hand for plucking. It is estimated that around 30 per cent of the farmers in Aarubote village own machines for plucking tea leaves.²¹ Use of machines and sickles adversely affects the quality of tea leaves plucked. Also, the trend of giving tea gardens on lease is gaining momentum due to lack of people looking after it.²² Quality of tea leaves is often compromised when lands are leased to contractors.

There is much scarcity of labour in the sector. Youths are often discouraged to involve themselves in the sector and many of them have either migrated to big cities like Kathmandu or to foreign countries for jobs and better opportunities. According to Harka Tamang, "Outside the tea sector, people can easily earn daily wage of NPR 500 to NPR 600. Now who will work in tea sector at NPR 400 per day?" In this way, although plucking quality leaves requires greater labour force since a single worker cannot pick more than a couple of good quality leaves per day, labourers are

difficult to find in eastern hills in Nepal for tea plucking. In addition, agricultural inputs, especially fertilizers and electricity supply, are not provided at subsidised rate though they are subsidised in the case of food crops. Tea peasants have to either buy chemical fertilizers in open market at a very high rate or buy it from the Indian market.

FARMERS' CHALLENGES IN GOING ORGANIC

Adopting organic methods of cultivation does yield higher price for tea leaves but it has been challenging for smallholder farmers to streamline their production into organic methods. It is not possible for a single tea garden to have organic production without the entire village going organic. Hence, it needs a concerted effort from all farmers in the village. Also, the loss of production in the initial years of going organic is not compensated by the relative increase in price, and farmers are often not patient enough to wait for the production to eventually increase in later years. A farmer shared his experience of going organic for a year, "The production was less. The price we received was not that high. We prefer instant results." The farmers we interviewed in Aarubote village lamented over not being able to sell their tea leaves

to the nearby Gorkha Tea Estate, one of the largest exporters of orthodox tea from Nepal, for their products were not accepted for not being organic.

Likewise, organic certification is one of the important requirements from many recent buyers, especially in the European countries. Even if the production process is made entirely organic, the process of obtaining certification specifying the absence of specific chemical compounds is very cumbersome. As Gaurab Luitel stated,

Around three/four years ago, a compound called anthraquinone was found in our tea. That compound happens to be naturally present in our environment but in our product, the presence of compound was found to be more than the threshold, and the shipment was rejected. It was not that our product was of low quality but during laboratory check, different kinds of compounds may be found and those may not be due to some intentional fault but may have come from somewhere during the production process."

The certification cost itself is very costly. The sample has to be sent abroad to a third party and payment has to be done in dollars which smallholder farmers cannot afford.

THE CASE OF FARMERS-TURNED-FACTORY-OWNERS

The state and the development partners have been facilitating farmers to establish their own tea leaves processing factories, although at small scale. For instance, the UNNATI Inclusive Growth Programme (IGP) was launched in January 2014 and ran for five years until December 2018 with total budget of DKK 400 million (approximately USD 70 million) with the idea of “using a value chain approach to link business-oriented farmers to micro and small agro-based enterprises and consumers” in the selected three value chains – tea, ginger and dairy – in seven districts of Eastern Nepal: Ilam, Panchthar, Taplejung, Dhankuta, Bhojpur, Tehrathum, and Sankhuwasabha.²³ We found through our interviews with farmers and cooperative members that UNNATI provided financial assistance to many farmers and cooperatives to establish small factories to process tea leaves. Similarly, Rural Reconstruction Nepal (RRN) had supported setting up plantation field of our respondent in Sankhuwasabha district. A small factory-owner, who was financed by UNNATI with around 10 per cent of the finance to set up his factory, stated during our focus group discussion,

There are more than 35 small factories in Ilam district with processing capacity of

less than 1,000 kilograms of tea leaves per day and almost all of them were supported financially by the UNNATI project.

However, the interviewed farmer has not been able to run his factory in full capacity. His factory has the capacity of processing 600 to 700 kilograms of tea leaves per day through which around 120 kilograms of made tea can be prepared per day. At this rate, above 3,000 kilograms of made tea can be prepared per month. However, the factory-owner states that he makes only 6,000 to 7,000 kilograms of made tea per year since it is difficult to find market for his products. He said,

There is fear to produce more. We do not have our own market..... It is not possible to sell without broker. Broker has to be fed. There are many factories which are bound to sell at whatever price the broker gives. The condition of farmers and small factory owners is similar. The only benefit for small factory owners is that the tea leaves from their own tea gardens do not go to waste as they can be processed in their own factory in the same day they are plucked.

For want of access to market, the small factory owners are bound to sell made tea at low price. The factory owner states that he could sell made tea prepared from his factory at not more than INR 150 (NPR 240 or USD 2) on average. Now, if he were to buy

tea leaves from surrounding villagers at the minimum support price stated by Suryodaya Municipality (that is, NPR 40 or USD 0.32), then his input cost itself comes out to be NPR 200 (USD 1.62) since five kilograms of tea leaves would result in one kilogram of made tea after processing. So, there is not much incentive for small factories. They have been surviving entirely by using household labour and household space. If the labour cost for household labour and rent for household space were to be imputed while calculating the income of enterprise, these small factories are, in fact, at absolute loss.

The rise in the number of tea processing factories at farmer's levels has increased the competition for green tea leaves and has risen the price of leaves in the market. However, this also has adversely affected the quality of leaves and ultimately, the quality of made tea. As Gaurab Luitel, the representative from National Tea and Coffee Development Board, said, "It (establishment of factories by farmers) eased the problem of price of tea leaves but has brought another problem to surface (indicating the effect on quality)." Amidst the competition for green leaves, if a factory begins to demand for quality and rejects the leaves, then those leaves are easily accepted by other factories and are processed.²⁴ In this way, the financial support provided to farmers

to set up their own factories has helped to temporarily ease out the problem of low price provided for tea leaves, but it generated another problem of increased demand for tea leaves (in other words, scarcity of tea leaves). So, there has been an unfair competition for tea leaves due to which quality of tea leaves is compromised. Many factories are also bound to run in under capacity due to scarcity of green leaves. Also, it is questionable that the farmers can have access to the technical-know and infrastructure (such as dryer and chimney) of the quality as that of big factories due to which it will be difficult to compete in the market based on quality.

In this way, it is questionable whether farmers owning factories is a sustainable solution to the problem in the tea value chain when the underlying problem of market persists, and such farmers have to continuously worry about finding market for the made tea they produce. At the same time, empowering farmers with the knowledge of running factories and managing them will require some additional concerted efforts on behalf of the state and development partners.

THE RISE OF TEA COOPERATIVES

Smallholder farmers had to struggle every year to get better price for their tea leaves. "For 10 years, since 2000, we launched protests

annually with the beginning of tea plucking season, sometimes by throwing away green leaves (on the road) or sometimes by protesting against the industrialists," Harka Tamang, the President of Central Tea Cooperative Federation Nepal (CTCF) said. Later, smallholder farmers adopted cooperative model in an attempt to find a sustainable solution to the problem. Tea cooperatives are established with the objective of providing fair price for green leaves and remove the intermediaries, often called the collectors, by selling or processing tea leaves themselves. Cooperative members get benefits at two levels from the cooperatives. They earn income at the household level by selling their produce to the cooperative. Further, when cooperatives generate margins from efficient operations and add value to the products, these earnings are returned to members in proportion to the business they do with the cooperative or member's equity held in the cooperative. Cooperatives also provide selective incentives to its members such as access to credit. Meanwhile, the unionisation among tea smallholder farmers is low. For instance, Nepal Tea Producer Association, the membership-based organisation exclusively of tea producing farmers, has not been able to develop itself as a movement.²⁵

The NTCDB provided 50 per cent grant for the establishment of cooperative-run factories

in Jhapa.²⁶ Harka Tamang, who is also the President of Shree Sana Kisan Chiya Utpaadak Sahakari Sanstha Ltd. (Small Farmers' Producer Cooperative Ltd.), explained how he, along with other farmers, garnered resources for establishing a tea processing factory under the cooperative model,

We could get around 32.5 million Nepali rupee (USD 263,000) from the government in several instalments after our intensive lobbying. Then we took 50 million Nepali rupee loan (USD 405,000) from Sunrise bank and the rest of the capital was collected from shareholder members. In this way, we became successful at running a factory.

The new constitution (Constitution of Nepal 2015) for the very first time acknowledged the cooperatives to be a pillar of financial sector, alongside public and private sector, and has incorporated them into the three tiers of federal system of governance: federal, provincial, and local.²⁷ Cooperatives are classified into five types according to their work areas: (i) production cooperative; (ii) consumer cooperative; (iii) financial cooperative; (iv) labour cooperative; and (v) multipurpose cooperative.²⁸ Currently, there are over hundred tea cooperatives in Nepal, which fall under the category of production cooperatives.²⁹ Jhapa district,

with mainly CTC tea production, has four tea cooperatives which run their own processing factories. Ilam and other districts in hill have many farmers' cooperatives with some of them having their own processing factories. The increase in farmers' cooperatives, along with the establishment of small processing factories under cooperative model as well as under private ownership (as discussed earlier), has benefited farmers in terms of rise in price of green tea leaves offered to them. "We used to get around NPR 10 to NPR 12 per kilogram for our green CTC leaves. Currently, we (the cooperative) can provide around NPR 20 and up to NPR 30-35 per kilogram (USD 0.28) depending on the season," Harka Tamang said. The farmers who are the members of cooperatives have to sell their leaves to the respective cooperatives only. This way, farmers are directly associated with the cooperatives. The member farmers are provided with information on the amount of tea leaves processed and the quantity of production of made tea, the operating cost of running factories including expenses on salaries and interest expenses to be paid to bank, and the revenue generated through sales of made tea.³⁰ In this way, transparency in value chain has resulted in increased satisfaction among farmers. Also, with farmers organising themselves into cooperative organisations, their bargaining

power has increased and the price provided by cooperatives has set the floor price below which industrialists would not be able to buy green leaves.³¹ The cooperative model also removes the intermediary, often called the collector, who collects tea leaves from farmers and sells to big factories in return for profit. Cooperatives also provide accidental/medical insurance to tea garden owners and their families along with workers in the factories of cooperatives.

Harka Tamang, the President of CTCF, stated that all four cooperatives in Jhapa have been making profits. Gaurab Luitel, the then Acting Regional Director (Koshi province) of NTCDB, also stated that these cooperative-run factories have been proving themselves as good competitors to the factories run by big industrialists. The farmers affiliated with cooperatives are also comparatively more satisfied with the returns from their tea gardens. A female shareholder of Kanyam Tea Producer Cooperative Society Limited, who is also in the management team of the cooperative stated,

The shareholders in our cooperative consist of smallholder farmers as well as owners of small tea gardens. We are shared with equal benefits by the cooperative. We can invest our income in other cash-generating farm and livestock activities. These changes can

be seen in our lifestyle. Today our children are in a good position to have a good job in the city as well as study in foreign countries.

In this way, the cooperative model has been serving as an exemplary model in terms of farmers' participation, transparency, sharing of returns, and ensuring fair price to farmers' produces.

CHALLENGES OF TEA COOPERATIVES

Private tea industries, which have been in existence for more than five decades, have better access to market. However, the tea cooperatives with their own processing factories face fierce competition from large private tea industries, especially in accessing the market. Harka Tamang said, "We still have 150,000 kilogram stock of made tea from last year's production. 150,000 kilograms of made tea is worth NPR 20 million (around USD 162,000) at wholesale rate." In hills, some cooperatives in Ilam have even been struggling to maintain working capital to buy leaves to run the factories and have not been as successful as the cooperatives in Jhapa.³²

The biggest challenge that the cooperative-run tea factories face in Nepal is that the products they produce cannot have access to retail market because cooperative-run enterprises are not allowed to brand and label their products. The Cooperatives Act 2017

allows cooperatives to operate businesses and industries³³ and does not require them to register a separate organisation to do so.³⁴ The Cooperatives Act 2017 also allows cooperatives to sell their produce in their name.³⁵ However, these legal provisions have not been implemented and cooperatives are not currently allowed to brand and label their products citing the reason that they have to register a new company under the Department of Industries following the Company Act 2006 to do so.³⁶ Cooperatives are also not allowed to get license of food industries from the Department of Food Technology and Quality Control (DFTQC) for the same reason that they are not registered under the Department of Industries. Products without DFTQC license number and label are restricted from sales and distribution in Nepal.³⁷ As a result, cooperatives, which produce made tea after processing green leaves, cannot sell directly into retail market under their own brand. They are bound to sell at wholesale price to other blending and packaging companies who sell under their brand name. In doing so, they lose the price they could have attained by directly going to customers bypassing the intermediaries. For instance, Shree Sana Kisan Chiya Utpaadak Sahakari Sanstha Ltd. (Small Farmers' Producer Cooperative Ltd.) sells at NPR 150 (USD 1.22) to NPR 200 (USD 1.62) per kilogram; however,

in the market the same tea costs NPR 400 (USD 3.24) to consumers. Provided that there was no legal hassle in branding, labelling and getting quality certification for the product, the cooperative could have got much higher than NPR 200 (USD 1.62) per kilogram, the direct beneficiaries of which would be the member farmers.

Similarly, the Cooperatives Act 2017 states that “cooperative organisation carrying out industrial enterprises shall be provided with the exemption, facilities and protection according to the prevailing laws which an industry is being provided with ...”³⁸ However, in practice, the state has not implemented the provision and there is discrimination between the enterprises run by cooperatives and those run by private sector. The enterprises run by cooperatives have not been provided with any incentives on tax, custom duty and excise duty although such incentives are stated in the Cooperatives Act 2017. Harka Tamang, the President of CTCF, stated,

The Act of 2017 (Cooperatives Act 2017) clearly states that VAT will not be charged on the production of enterprises run by cooperatives.... However, we are registered under PAN/VAT. We pay seven to eight million (Nepali) rupee (USD 56,700 to USD 64,800) VAT annually.... We pay 28 per cent custom while private industries pay

1 per cent. In addition, private enterprises running factories can get access to 50 million (USD 405,000) soft loan while we get only 10 million rupees (USD 81,000).

In this way, although cooperatives serve as a just model for protecting the interest of farmers and are established with the objective of arranging market for farmers’ produces, they are constrained by state restrictions which are biased against the cooperatives.

TEA WORKERS’ STRUGGLE FOR WAGE AND SOCIAL PROTECTION

Tea sector employs around 40,000 workers in Nepal.³⁹ Employment in the sector is predominantly irregular⁴⁰ in nature. It is estimated that around 30 per cent of workers out of the 40,000 employed in the sector have regular employment.⁴¹ The remaining workers are seasonal in nature. Findings from Nepal Commercial Tea Survey 2018, conducted by Central Bureau of Statistics and National Tea and Coffee Development Board, show even much less figure for permanent employment: only 3,244 workers involved in commercial tea plantation are permanently employed.⁴² Meanwhile, the amount of temporary employment, measured in terms of person-days, is 3,095,284.

The Ministry of Labour, Employment and Social Security (MoLESS) has fixed the

minimum wage of workers in tea gardens at NPR 435 (USD 3.5) per day.⁴³ The minimum wage of NPR 435 consists of basic salary of NPR 281 (USD 2) and dearness allowance of NPR 154 (USD 1.25). The monthly wage is fixed at NPR 12,081 (USD 98) while the stipulated hourly wage is NPR 57 (USD 0.5).⁴⁴ The workers who work in processing factories and the workers' leader and security guards of the tea estate receive an extra allowance of NPR 55 (USD 0.45) per day.⁴⁵ The state has discriminated tea workers in the legislation itself. The minimum wage of workers in tea sector is the least among all other sectors. The minimum wage of labourers employed in sectors other than tea is NPR 15,000 (USD 122) monthly or NPR 577 (USD 4.7) daily.⁴⁶ Besides the wage, workers in tea sector receive 10 per cent of basic salary as provident fund and 8.33 per cent of basic salary as gratuity following the Labour Act 2017.⁴⁷ Payments are usually made weekly or biweekly in some places.⁴⁸

The minimum wage provided to workers is not adequate for workers and their families to have quality lives. Most of the tea workers spend their whole lives as tea estate workers and in many cases, workers' several generations have spent their lives within a single tea estate; however, there has not been any substantial improvement in the quality of their lives yet. "I started to work in Giribandhu

(tea estate) thirty years ago. I and my wife work on the same tea farm but earning is just enough to survive. We don't have our land and possess no other skills to work. We do not get any opportunity to have skill-based training from any non-governmental organisation and local government till now," a male tea worker, who is a regular worker at Giribandhu Tea Estate shared.⁴⁹ Likewise, a female worker who is a regular worker at Berne Tea Garden in Jhapa said, "Only wages from the tea state are not enough to sustain a healthy and fulfilled daily life. Workers are unable to enjoy basic rights such as education for their children and basic health facilities at their workplace."⁵⁰

Meanwhile, the tea estates established before 1971 AD, such as Barne Tea Estate, Sattighatta Tea Estate, Giribandhu Tea Estate, and Tokla Tea Estate, had provisions for accommodation within the tea estates for they employed landless labourers. However, with the increase in tea gardens and availability of labourers owning land, the newer tea estates are gradually withdrawing away from such facilities and workers go to work from their home.⁵¹ In this way, large tea estates are withdrawing from the basic obligation they had been providing for workers.

Workers in tea gardens are allocated daily task – the amount of tea leaves to be plucked by workers per day. In the first flush (first

week of March to first week of April), fixed quantity of tasks is not allocated since good leaves are to be plucked during the time as the first flush fetches the highest quality of tea.⁵² In the months of April and May, workers are provided with the daily task of 26 kilograms daily in case of CTC tea leaves. After that, from June to October, workers are to pluck 32 kilograms of CTC tea leaves per day.⁵³ The assigned daily quota is often met by workers. Workers are penalised in case the daily quota is not met. However, according to Santa Kumar Rai, the Regional Vice-President (Koshi province) of General Federation of Nepalese Trade Unions (GEFONT), “Workers are often able to pluck above 50 kilograms of (CTC) tea leaves per day. For the excess of the daily quota of 32 kilograms per day, workers are paid at the rate of NPR 2.5 (USD 0.2) Nepali rupees per kilogram.”

Large tea estates abide by the minimum wage set by the government. However, minimum wage for workers in the tea gardens owned by smallholder farmers is still not guaranteed. In this context, Santa Kumar Rai stated,

We have not been able to enforce minimum wage for workers in tea gardens run by smallholder farmers. It is because such tea gardens are run by household labour with help from hired labourers at community level who are mostly seasonal in nature....

However, this [implementation of minimum wage for hired labourers in small farms] is to be done and we are trying to do so.

Seasonal workers, who occupy around 70 per cent of the labour force in tea sector, receive minimum wage but they cannot avail of the benefits of provident fund and gratuity. Even the regular workers, who receive provident fund and gratuity, do not have their provident fund amounts allocated in a separate bank account. A regular male worker employed in Giribandhu Tea Estate, a large tea estate in Birtamod, said, “We heard about social security and provident fund but are not aware where and in which bank it is being deposited. We (workers) do not have any individual bank accounts.”⁵⁴ The provident fund amounts of workers are held by the management teams of tea estate companies themselves. The workers may receive the provident fund amount after retirement but not keeping the amounts in a separate provident fund account in the name of the workers themselves indicates the possibilities of these amounts being invested by the tea estate management without the knowledge of the workers who are the actual owners of the fund. Santa Kumar Rai, the Regional Vice-President (Koshi province) of General Federation of Nepalese Trade Unions (GEFONT), who had been long associated with the tea workers’ union, stated,

We bargained many times and had agreement many times [with the management of tea estates]. At least, even if the amount is not sent directly to separate provident fund accounts, let's open joint accounts [in the name of workers and tea estates]. The money will generate some interest and it will be secured too. It is observed in some cases that the tea estates do not pay workers [the collected provident fund amount] after the workers leave their work. If the amounts are not deposited in separate provide fund accounts, then the calculations can be lost too.

Rapid informalisation of labour is a serious problem in the sector. According to the Labour Act 2017, an employer cannot employ a person without entering into an employment contract except for casual employment in which case, it is not necessary to enter into an employment contract in writing and hence, remuneration, benefits to be received by the labour, conditions of employment and other matters need not be mentioned in writing.⁵⁵ However, seasonal workers work for more than seven days a month and their employment cannot be categorised as casual employment. Nevertheless, tea estates still employ seasonal workers without any employment contract due to which 70 per cent of workers in the sector cannot avail of the benefits in forms of

social security, provident fund and gratuity.⁵⁶ For example, according to Santa Kumar Rai,

The number of regular employees is declining since the regular workers retire after 58 years of age or they may leave jobs due to some other reasons and the newly hired workers are not regular in nature. There were 300 permanent labourers in Giribandhu Tea Estate in 2051 B.S. [1994/1995 A.D.]; however, there are only 168 permanent employees currently.

It is observed that there are considerable benefits to owners of tea estates when workers are 'irregular' in nature. Workers need not be paid the additional 18.33 per cent of basic wage (10 per cent provident fund and 8.33 per cent gratuity amounting to NPR per day) when their employment is irregular in nature.

In addition, the possibility of unionisation is the least among seasonal workers substantially hampering the strength in collective bargaining. Trade unions in tea sector do not allow membership for temporary/irregular workers. On one hand, the proportion of regular/permanent workers is in decline; on the other hand, irregular/temporary workers are not provided with union membership and at the same time, there is also general disinterest among

irregular workers to become union members. Consequently, union membership has taken a sharp decline over the years. Santa Kumar Rai stated the status of unionisation in tea sector,

There are only 527 paid-up members in the GEFONT-affiliated Federation of Agriculture and Plantation Workers Union of Nepal (FAPWUN). Ten years ago, it had 3,700 members..... Legally, a trade union cannot be registered without 5,000 members. Three trade unions are registered in tea industry [FAPWUN, Nepal Tea Garden Labour Union, and All Nepal Tea Workers' Union]. Normally, the three unions must have 15,000/16,000 member workers. But we hardly have 10,000 to 12,000 regular/permanent employees in the sector.

Umesh Upadhyaya, the Vice-President of National Labour Academy, commented on the general trend in declining union membership,

Membership in trade unions has been declining after the year 2014/2015 though membership peaked in the decade of 2000 after the enactment of Trade Union Act in 1992. One of the reasons for declining membership is union leaders' less focus in organising. Moreover, membership in unions earlier used to be according to one's ideological or political inclination while now workers do the cost-benefit analysis

before joining trade unions and engaging in union activities. Against the workers' expectation of benefits from unionisation, the unions have failed to deliver and attract new entrants and carry out vibrant activities.

He further warned that unionisation without irregular or informal labourers holds less relevance these days,

The future of unionisation is in informal sector and among informal labourers. Failure to unionise informal sector and informal labourers will cause collectivisation to lose its relevance over time. It is, however, difficult to collectivise informal labourers because they do not have a fixed location of work. But strength now lies in uniting these workers. Labour law and trade union related laws do not restrict the process of collectivisation of informal labourers. Even a single worker in informal sector can unite with other workers working in the same sector and form workers' unions.

Meanwhile, workers lack any credible basis to make demands as they are unable to know the distribution of returns among the partners in tea value chain due to non-transparent value chain. The industrialists owning large tea estates continue stating that they have been at loss. Workers have

no way of verifying the truthfulness of such claims made by industrialists. The National Tea and Coffee Development Board also has no capacity to verify the profit/loss condition of large tea estates since it has to take at face value the data shared by large tea estates. In such condition, workers are not confident on what basis to bargain for higher wage and increased social security benefits. They fear that demanding higher could cause loss of their existing jobs due to closure of the business as a whole. Deepak Tamang, Chairperson of Nepal Tea Estate Workers' Association affiliated to Nepal Trade Union Congress (NTUC), questioned,

How much (made) tea is produced? How much tea leaves are processed? At what price are they (made tea) sold? Where is the data? We do not have them. This is the biggest problem. They (the industrialists) say they are at loss. We are going to have talks with them in a couple of months in July. Our wage must increase from July. We will demand for social security benefits and increment in wage. As soon as we place our demands, they say there are at loss. They bring duplicate balance sheet. Who will verify it?

Santa Kumar Rai, the Regional Vice-President (Koshi province) of General Federation of Nepalese Trade Unions (GEFONT), added,

We have been in talks with them (the tea estate owners) every two years for the past 20/22 years. In none of the years have they said that they are in profit. If they were not in profit, how have they been continuing? If they were at loss every year, then the industry would have collapsed in the period of 20/22 years. But still, it is functioning.

Workers in the tea sector are also not provided with any social security benefits of accidental/medical insurance. Regarding the contribution-based social security schemes launched by the government, the workers themselves have not understood it. The large tea estate owners also do not want to have the labourers registered for social security schemes. Santa Kumar Rai, the Regional Vice-President (Koshi province) of General Federation of Nepalese Trade Unions (GEFONT), stated,

Four years ago, we talked with the tea estate owners for three months on the same issue (inclusion of tea estate workers in the contribution-based social security fund). Later, they agreed and did an agreement. However, the agreement has not been implemented yet..... Also, the workers cannot enlist themselves as labourers in a particular organisation unless the employer approves it. If the employer does not approve that I am a worker in his/her

organisation, then I cannot enlist myself for social security fund. Who will give me that right? If I were given that right, then I can go on my own On the contrary, there is no clarity on the law (Contribution Based Social Security Act 2017) as well. For example, if a seasonal worker works for only four months, what does the Act say? His association with social security fund gets discontinued after he stops his contribution (as he leaves the job).

Workers' unions, however, have been mainly focusing on wage while bargaining for workers' rights. The regular male worker working in Giribandhu Tea Estate complained, "Most of the time, union leaders focus on wage issues. However, we want health security and we demand to have medical insurance. When any member or bread earning member gets sick, we cannot afford medical treatment."⁵⁷ The issue of social security benefits has been at backdrop during the process of collective bargaining. Santa Kumar Rai shared,

In the beginning of our struggle, we raised the issue of ration and children's education but later these issues got into limbo. Later, understanding of the issue changed as we partnered with other unions. The visible change would be wage increment. This became a political issue.

However, even the wage increment, agreed through bargaining between workers' unions and Nepal Tea Producers' Association (the collective organisation of large tea-producing companies), has been so meagre that it is not adequate to offset the inflation.⁵⁸ The bargaining for increment in wage is also not done under any scientific basis.⁵⁹

In this way, workers in tea sector receive the lowest wage among all other sectors in the economy. They are also deprived of any social security measures such as free education to children or medical/accidental insurance. The workers' unions, who launch struggle and campaigns demanding the rights of workers, are losing their strength as they are not able to innovate their organising methods amidst rising informalisation of workers in the sector. Bargaining for workers' wage and other benefits is not done under any scientific basis. Workers are wary of demanding their rights as credible data on the performance of tea estates and industry as a whole is not known among workers. Meanwhile, the state machineries, including the Ministry of Labour, Employment and Social Security and the National Tea and Coffee Development Board, stay as mere spectators waiting for the workers' unions and Nepal Tea Producers' Association to sort out the contentious issues among themselves. The state is there only to

ratify the agreements reached between the two parties with no active intervention in favour of the genuine concerns of workers.

WOMEN WORKERS IN TEA INDUSTRY IN NEPAL

Women form over 50 per cent of the labour force in tea plantations in Nepal. Women are at the lowest hierarchy of work. In addition to plucking tea leaves, women are involved in manual jobs, such as pruning the bushes during winter, spraying pesticides *et cetera*. Women workers are concentrated in labour-intensive work, with fewer opportunities for upgradation to the managerial role. They also supplement their incomes through their engagement in daily paid agricultural work or domestic work in nearby villages. Besides this, women also have to do household work, including care work, that involves cooking, cleaning, collecting water and firewood, and feeding children.

Moreover, irrespective of their biological conditions (menstruation, pregnancy), women workers have to accomplish the tasks in the given period of time. The insensitive approaches and overloaded work assigned to the women workers are strong markers of gender discrimination. Women workers in tea garden bear double burden as they also have to take responsibility of caring their families and households.

Hygiene facilities in the tea estates are poor (for instance, lack of clean toilets) that pose risks of health hazards for women. Additionally, women face violations related to their maternity rights, especially when it comes to the benefits of maternity leave, pre-natal, and post-natal care. Women often have to perform the same level of tasks even during their pregnancy and are not able to choose lighter work on request.

Women workers in in tea sector in Nepal receive equal wages as their men co-workers; however, the right to equal work is not guaranteed. The mindset of male authorities in tea gardens and processing factories that women have skill to do plucking and cleaning work has further hindered their right to equal work and promoted gendered classification of work. Furthermore, their participation in trade union activities has been low, and few women are in leadership roles.

WEAK TEA BOARD

National Tea and Coffee Development Board (NTCDB) was established in 1993 under the National Tea and Coffee Development Board Act 1992. The chief mandate provided to it was the formulation of policies for development of tea and coffee in Nepal. In addition, other objectives of the Board include technology transfer at production, processing and marketing level, and research

and extension. However, it is not provided with the authority of regulation. According to Gaurab Luitel, the then Acting Regional Director (Koshi province) of National Tea and Coffee Development Board,

One of the provisions that we wish the Act (the NTCDB Act) had given us was the regulation part.... For example, the Indian Tea Board and the Sri Lankan Tea Board are given the authority to regulate the industry as a whole, meaning providing license and the licenses can be revoked provided the licensees do not act as per the policy and regulation. But, in Nepal, such regulatory authority is not provided to the Board.

Harka Tamang, the President of the CTCF, also commented on the ineffective regulatory regime, in tea sector in Nepal:

If you go to Suryodaya Municipality, there are around 65 factories but production of green leaves is adequate only for 20 to 25 factories. Who will stop the establishment of additional factories then? The Tea Board (National Tea and Coffee Development Board) does not stop nor does the Department of Industries. For example, there is a strong tea board in India which sets the price of tea leaves, the amount of wastage in production, and performs other regulatory functions. But in Nepal, anyone

can open a factory. For instance, there are tea leaves enough for around 20 factories in Jhapa but there 30 to 35 factories operating currently due to which none of the factories run in full capacity.

Similarly, the NTCDB Act provides for the Board to suggest ways to solve the conflicts that take place at times among industrialists, workers and farmers; however, it does not have the authority to implement solutions to solve the problems. NTCDB does not even get involved in the negotiation process.⁶⁰ Likewise, it has the mandate to recommend the minimum support price of green tea leaves to the government but it has not right to implement it.⁶¹ The 17-member NTCDB must have a board member representing workers, which is to be nominated by a separate committee, but the seat is vacant as the nomination has not taken place.⁶²

The National Tea and Coffee Development Board (NTCDB) is in a position where it cannot ascertain the credibility of the data it collects. Gaurab Luitel, the then Acting Regional Director (Koshi province) of National Tea and Coffee Development Board, expressed his concern:

I send my staff members to collect the production data but the industrialists do not even open the gate. We are such

helpless.... This happens even when the industrialists need not say the price or the grade or the cost of production Amidst the difficulty in getting even the production data, I doubt how I can regulate.

Also, CTC and orthodox are the two major types of tea exported from Nepal. However, there is no maintenance of disaggregated data for orthodox and CTC tea.⁶³ This means that the NTCDB does not have any official record for how much of what kind of tea is exported to a country. Unavailability of such crucial data will affect policy formulation since the government is unaware of the statistics of the type of tea exported from Nepal.

OUTLOOK OF THE INDUSTRY

The tea industry of Nepal has a good prospect. Tea bushes are comparatively younger than other countries in South Asia, and tea from Nepal has a good prospect in international market. The future of tea industry in Nepal, however, does not look promising due to inherent problems in the value chain where the partners at the beginning stage – farmers and workers – are not remunerated well, while the private actors and the state pay little attention to finding high-end markets to the products. Tea is a cash crop and is claimed to be thrice more profitable than paddy.⁶⁴ With sincere efforts from farmers, annually around 15,000 kilogram of CTC tea leaves can be

grown in one *bigha* land area (0.68 hectare).⁶⁵ At NPR 20 per kilogram of green tea leaves, the annual revenue would be NPR 300,000. The cost would be around NPR 130,000 when household labour is also used.⁶⁶ Hence, there is a good possibility for farmers to profit from tea plantation. However, according to Harka Tamang, the President of CTCF, “Around half of the farming is in loss.”⁶⁷ The smallholder farmers who really work hard in the field have been in profit. But, the trend of giving tea gardens on lease is on rise due to lack of human resources to look after the tea gardens.⁶⁸ As also reiterated by Santa Kumar Rai, the Regional Vice-President (Koshi province) of GEFONT, “We have more landlords than industrialists and more contractors than farmers in this sector.” In addition, access to fertilizers and irrigation facilities at subsidised rate is limited. Also, there has been increase in land price due to which tea gardens are being destroyed, mainly for real estate purpose.⁶⁹ This can result in huge loss in production accompanied with huge job losses in the years to come.

Gaurab Luitel, the then Acting Regional Director (Koshi province) of National Tea and Coffee Development Board (NTCDB), also echoed similar sentiment on the future of the tea industry,

Industry is not promising, especially in Jhapa (referring to CTC tea). Farmers themselves

are not happy. Cost of production has increased while price generated by made tea in local and export tea has not risen. Following the backward linkage, this has directly affected the price paid to farmers and workers. That is why, farmers say they will destroy their tea gardens (due to lack of any profitability) while industrialists say that the government can lock the tea estates (if the government decides to increase the minimum wage)

The prospect is, however, slightly better for orthodox tea which can be sold to premium markets in the European countries. Yet, there is a problem of marketing to sell orthodox tea in countries other than India. Besides the need for branding Nepali tea, quality of tea is important as highlighted by Gaurab Luitel, “Even in third countries (countries other than India), we cannot compete based on price but only based on quality.” However, farmers and workers who are at the beginning stage of ensuring quality in the value chain have little incentive to maintain quality in the production process.

CONCLUSION

The study finds that stakeholders at the beginning stage of the value chain – farmers and workers – have benefited the least from the tea value chain. Workers’ minimum

wage has been kept low and the periodic increment has been too meagre to offset the inflation in the economy. Trade unions’ collective bargaining has mainly focussed on wages with less priority given towards providing social security benefits, such as accidental and medical insurance to workers and their families, free education to workers’ children, and accommodation facilities. The state has also not played any active role in fixing minimum wage and determining social protection considering workers’ welfare; rather, the issue has been left to be sorted out between workers’ union and producers’ union. In addition, labour force in the sector has been informalised through hiring of seasonal workers and refilling of vacant permanent positions with temporary workers. Majority of the workers are temporary or seasonal in nature which benefits the employers as such workers need not be provided with provident fund and gratuity. Unionisation has failed to incorporate temporary/seasonal workers due to which it is losing its strength.

The condition of tea peasants is no better than that of workers. From the perspective of informal economy, tea peasants can also be viewed as the self-employed informal workers trying to eke out their living through plantation. Similar to the situation of fair wage not provided to workers, tea peasants are also not provided with appropriate

price for the green leaves produced by them. With the support of state and some development partners, some peasants have now set up factories to process green leaves by themselves. This has partly solved the problem of low price provided to green leaves as the price has increased to some extent, caused by increase in demand for green leaves with the increase in number of factories. However, this has not solved the biggest problem of the industry – the market. Peasants, even if they set up factories, are unable to sell the final products since they have little access to market. Farmers have little knowledge of the market and they are often exploited by intermediaries or brokers while the farmers try to sell the made tea prepared in their own factories. Peasants' shift towards being factory-owners has met little success due to lack of technical knowledge of processing and marketing or branding their products.

Farmers have organised themselves into farmers' groups and cooperatives to increase their bargaining power to fight against the exploitation taking place against them through industrialists pricing their green leaves low. Some cooperatives operate their own factories while many cooperatives collect green leaves and sell collectively. Cooperatives cut the intermediaries' profit and provide increased value to farmers'

produces. In case of cooperative-run factories, cooperatives, ideally, should be marketing the products, selling them, and then distributing profit among the farmer shareholders. However, the legal biasness against cooperatives has prevented them from even branding, labelling and selling their products in retail market. This has severely hampered the returns generated by the cooperative-run tea processing factories. While the four cooperative-run factories in Jhapa have been successful in competing against large industries, many such factories in hills have succumbed to the problems of lack of working capital and management inefficiencies.

The perennial problem of tea industry in Nepal is the 'market'. New high-end markets in European and North American countries have not been identified and further expanded. Rather, the industry is complacent in having 90 per cent of exports being concentrated in India. The state's efforts in market expansion and diversification are minimal. The efforts by the NTCDB in branding and marketing Nepali tea are too late and too little. National Tea and Coffee Development Board has no authority to regulate the industry due to which it is difficult to ensure that the policies formulated by the Board are being implemented. Peasants have no incentive to produce quality tea leaves and expand its production when they

have to continuously worry about the market. Marketing is the joint responsibility of the processing factories, packaging companies, and export companies, and the state has a facilitating role to play; yet, little has been achieved at this end. The state and the private sector have not been able to provide innovative and timely solution to the existing problem of access to market.

The future of the industry is, therefore, observed to be grim despite the product providing opportunities to lessen the ballooning trade deficit. Made tea are being mainly sold to India where it has to compete against other cheaper products. Input costs are bound to rise with the increase in price of coal. Labourers are already scarce and with other employment opportunities, especially foreign employment offering them comparatively higher wage, it is doubtful whether they will agree to work at such low wage. Ensuring quality and selling to high end customers in third countries (other than India) is challenging due to the increasing difficulty in maintaining quality and obtaining organic certification.

Amidst the grim outlook of the industry, the private sectors running the industry are making profits merely by squeezing on the wage of labourers and the prices of green leaves. They claim, during each workers' struggle, that they would have to shut down

the factories if wages were to increase. However, it is unfortunate that they have not been making serious efforts in obtaining high value from the sale of end products through branding and marketing. Efforts should have been focussed on obtaining greater value from sales or exports and distributing a fair portion to its partners in the value chain – mainly the farmers and the workers who are the actual producers. It is unjust that the industry is surviving by keeping wages low and offering low price to tea peasants for their produces. This shows the feudal nature of the industrialists who seem to be in the industry just to hold the large land areas (which otherwise would have been taken long ago by the state through land reform) and make quick profit with no long-term strategy to develop the industry as a whole. This way, workers and tea peasants in the industry will be bound to suffer. The lacklustre industrial policy of the state is also to blame for the current state of tea industry. The economy of Nepal heavily relies on the customs revenue earned from imports of goods. The state has implemented neither the policy of import substitution nor the policy of export-led growth. In other words, there have been inadequate efforts, on behalf of the state, in promoting tea export which could have been one of the important sources of foreign currency.

RECOMMENDATIONS

Based on the findings of the study, we recommend the following courses of action for bringing fairness in the value chain of tea industry in Nepal, with focus on workers and farmers in the industry.

Workers' welfare

1. Legislative discrimination against tea workers with regards to minimum wage should be ended. A uniform minimum wage for all sectors is to be implemented. Wage should be revised based on scientific and practical criteria.
2. Local governments are to install labour desk and enlist labourers of respective local administrative units.
3. Social protection measures should be provided to workers in tea industry. Considering the fact that the sector is dominated by women workers, the social security measures should extend special provisions to women such as extended maternity leave and child care facility. The agreement between trade unions and industrialists on enlisting workers for social security fund, following the Contributions Based Social Security Act 2017, should be implemented. All workers, be it temporary or permanent, are to be hired only after providing an appointment letter and all provisions of the Labour Act 2017 should be followed.
4. The provident fund and the gratuity amount should be deposited in the name of workers and should be dispensed once the workers leave the job.

5. The provisions of provident fund, gratuity and medical/accidental insurance should be provided to both regular and seasonal workers.

Unionisation

1. Realising the rising trend of informalisation of workers, trade unions in tea sector should adopt innovative approaches to unionise informal (seasonal/temporary) workers.
2. Trade unions should extend their collective bargaining towards social protection measures, such as free healthcare for workers' families and free education to children, in addition to the issue of minimum wage.
3. Trade unions are to capacitate themselves to understand the value chain of tea – such as whether the industries are profiting or not, where the finished products are being sold and at what price, understand the production and sales figures – so that they can have collective bargaining based on evidence.

Farmers' welfare

1. The government, at centre, province or local level, should fix the minimum support price for green tea leaves so that it ensures that tea farming is profitable for smallholder farmers.
2. Regular supply of agricultural inputs – mainly chemical fertilizers, irrigation facilities and electricity – should be ensured at subsidised rate.
3. Market for the produces from farmer-run

factories should be ensured so that the factories can run in full capacity.

4. Farmers are to be trained and supported to streamline their production process following organic cultivation. Farmers should be supported in organic certification as it has a cumbersome process and is quite expensive.

Cooperatives

1. Following the provisions outlined in the Cooperatives Act 2017, cooperative-run factories should be allowed to brand, label and obtain food quality certification for the made tea they produce.
2. The subsidies and facilities extended to private factories – such as access to soft loan and custom and duty waiver – should be extended to cooperative-run factories as well.

Government

1. National Tea and Coffee Development Board should be strengthened, through the amendment of the NTCDB Act, to provide them with regulatory role so that it can ensure the formulated regulations are being followed.

2. The state should lead the search for new market in third countries (other than India) and marketing, branding and quality maintenance should follow accordingly.
3. Efforts should also be directed towards research and technology transfer to tackle the emerging challenges (such as challenges in going organic, problem due to scarcity of labour *et cetera*) in the sector.

Private sector

1. The private sector and the state should jointly make efforts to expand and diversify the export market for tea, such that better value is attained for the end products and the workers and the peasants, who are at the beginning stage in the value chain, are fairly compensated.
2. Private sector should implement innovative strategies in developing the sector as the increased demand, good climatic zone, and adequate production show that tea industry has a good prospect. Profiting from low wage and low price provided for green leaves, with little efforts towards market diversification and expansion, is not a sustainable approach.

Annexure 1 Top 10 destinations of tea export from Nepal in FY 2019/2020

Country	Quantity (kg)	Value (in NPR '000)	Percent of export value
India	1081638	2492299	89.56
Germany	51584	79168	2.84
Russia	204528	71812	2.58
Czech Republic	20805	31499	1.13
Japan	26709	27501	0.99
United States of America	31153	26511	0.95
Canada	3237	10350	0.37
France	1988	6729	0.24
China	7395	5926	0.21
United Kingdom	751	4503	0.16

Source: National Tea and Coffee Development Board, Government of Nepal, accessed 8 January, 2022

Annexure 2 Types of tea produced as in FY 2019/2020

Type of tea	Production (in kg)	Production (in percent)
Crush, tear, curl (CTC)	14977300	62.10
Orthodox	8251306	34.21
Green tea	745546	3.09
Other	144120	0.60
Total production	24118274	100.00

Source: National Tea and Coffee Development Board, Government of Nepal, accessed 8 January, 2022

Annex 3 Estate plantation versus small farm holdings in FY 2019/2020

Estate plantation		Small farmers	
Number	Area (in hectare)	Number	Area (in hectare)
146	7060	14014	9845

Source: National Tea and Coffee Development Board, Government of Nepal, accessed 8 January, 2022

ENDNOTES

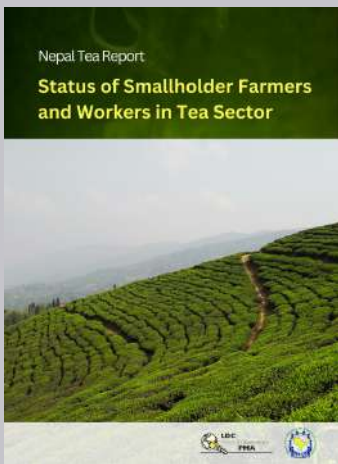
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- 35 Section 21 (7), Cooperatives Act 2017, Government of Nepal
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- 60 Gaurab Luitel, Interview by SAAPE Secretariat team, Jhapa, February 5, 2022
- 61 Ibid.
- 62 Ibid.
- 63 Ibid.
- 64 Harka Tamang, Interview by SAAPE Secretariat team, Jhapa, February 6, 2022
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- 68 Harka Tamang, Interview by SAAPE Secretariat team, Jhapa, February 6, 2022; Maiya Mishra, Interview by SAAPE Secretariat team, Jhapa, February 7, 2022
- 69 Rajendra Kumar Dhakal, Former Managing Director, Tea Development Corporation, Interview by SAAPE Secretariat team, Jhapa, March 6, 2022



About SAAPE

South Asia Alliance for Poverty Eradication (SAAPE) is a regional platform of civil society organisations, social movements and people's networks fighting unitedly against the structural causes of poverty and social injustices in the region and beyond. It was conceived in 2001 against the backdrop of increasing anti-people globalisation marked by privatisation, deregulation, extractivism and capital accumulation. SAAPE's mission is to facilitate the process for establishing mechanisms to ensure people's genuine participation in the decision-making processes at all levels to contribute towards poverty eradication and sustainable development. SAAPE facilitates linkages among and between groups in the region, throughout the global South and with like-minded groups in the North.



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