THE TEA SMALL HOLDER SECTOR IN SRI LANKA

P Sivepalan & Nalini C Gnanaprragasam

ABSTRACT

Tea small holdings in Sri Lanka originated from about the first decade of the twentieth century, and developed slowly as subsistence farming families within the vicinity of commercial plantations. These peasants cultivated tea in small parcels of land, managed by the family members themselves, with very basic inputs. The green leaf harvested by these peasants was monopolized by various intermediaries in the supply chain - from leaf collection from growers to transport to processing factories. Consequently, the net income to the grower continued to be very meager. Land reform policies and land re-settlement schemes of the early 1970s, resulted in a significant growth of tea small holdings within the different tea growing districts of the country. As per the first Census of 1983 there were 159,865 tea holdings, accounting for a land area of 75,769 ha, with an average size of 0.47 ha per holding. Despite such expansion, the sector continued to perform poorly due to the inadequacies of technical support and poor facilities for leaf collection and transport to the processing factories, with a significant number of these farming peasants yet hovering around poverty line. With the intervention of the government to set up the Tea Small Holdings Development Authority (TSHDA) in 1975 and the follow-up financial assistance from international lending institutions from about the late 1980s, this sector has since improved significantly and evolved to attain the present status of an important player in the country's economy. With a current extent in production of 110,236 ha, yielding an average of 1,853 kg/ha, the total production of tea by the tea smallholders in 2004 was 204.6 million kg, which is 66 percent of total country production of 308.1 m. kg.

INTRODUCTION

The Tea Industry in Sri Lanka

Following the boom in the middle of the 19th century, the coffee industry had reached its peak by 1868 in Sri Lanka (Ceylon), with about 176,000 acres (71,200 ha) in full coffee production. A further 100,000 acres (40,400 ha) was planted to coffee during the following decade. With the appearance of the coffee leaf disease in 1869, the disease took its toll and by 1890 the coffee crop was virtually wiped out and only a very small extent was left under coffee.

Advisers Crop Optima (Pvt)Ltd. 76/3 Pansala Road, Hatton, Sri Lanka

"P. Sivepalan"psive@sltnet.lk>, Nalini Gnanapragassam"<nalinic@sltnet.Lk>

Following the successful commercial establishment of tea in 1867, and the total collapse of the great coffee industry, many of the coffee planters became tea planters almost overnight. Like the legendary phoenix rising from the ashes, the tea industry began to flourish on the very same lands on which coffee once thrived with pride. No special soil treatment is known to have been applied before planting coffee land to tea.

The Tea Small Holdings Sector the early Beginnings

Since the first decade of the twentieth century, the small holdings of tea originated and developed slowly as individual response to growth in the commercial plantation sector. The villagers adjoining the commercial plantations, some of whom worked in these commercial units, took to small-scale planting of tea in their own adjacent plots of land, using whatever planting material (tea seeds) they could procure, and adopted the techniques for adjacent commercial plantations. The slow growth and expansion came to a halt during the depression of the 1930s, but received a further fillip to forge ahead with the post-war boom and since the mid-1940s a steady growth of this sector was recorded in the low and mid-elevation tea growing areas, with possibly around a total of 30,000 to 40,000 ha of small holdings in active production.

Growth of the Smallholdings Sector

Further rapid expansion became possible with the Government Land Reform Acts of 1972 and 1975. This phase of growth was the result of governmental policies to redistribute plantation land for village expansion, along with the fragmentation of uneconomic estates for colonization schemes and the granting of crown land for village settlements.

In the majority of cases, the tea small holder has traditionally been a subsistence farmer cultivating tea in small parcels of land, which are managed by the family members themselves, with very basic inputs, with hardly any or no purchased inputs. The harvested leaf is usually sold to a middleman, the 'leaf collector, who is often the village grocer supplying the grocery on credit, to be set off against the meager payment for the green leaf supplied to him. The village grocer played the role of a 'banker' who looked after the financial needs of these small growers at times of emergency, thus almost totally binding these growers under his control. The various local leaf collectors in turn supplied their collection of leaf to bigger collectors who owned vehicles to transport the leaf to processing factories. In view of such intermediaries, the net financial benefit to the grower was minimal.

These small tea holdings are grown either as monoculture or mixed gardens, where tea is grown along with other crops such as : coffee, cloves, pepper vines, vanilla, lemon grass, citronella for oil, medicinal herbs, coconut, etc. In the mid elevation tea areas, it is common to see jak, mahogany arecanut and Tuna grown as shade trees within many of these holdings. It is also not uncommon to observe an integrated farming system in many of these areas where short term crops such as vegetables and fruit trees, as well as poultry and cattle are managed in the vicinity of the tea plots, thus providing additional income to the farmers.

Information regarding the Tea Smallholder sector had been very meager, prior to the Land Reform Acts of 1972 and 1975. It was, however known that the private tea land owners accounted for a significant proportion of the total tea land area, concentrated mostly in six administrative districts in the central and south-western region of the country (mid and low-country).

Technical Support to Tea Small Holders

The first attempt at providing technical support to smallholders was made in 1932, when a special Small Holdings Advisory Officer was recruited in the Tea Research Institute, to help service the small growers in the Kandy District. A second Small Holdings officer was recruited soon thereafter to service the southern province. Subsequently, with the introduction of the contour system of planting tea, the first qualified Technical Officer to service the tea small growers was recruited by the TRI in 1948 and posted to Morawake Korale, a rapidly expanding tea district in the southern province.

Tea Small Holdings Development Authority (TSHDA)

Realizing the importance of the smallholder sector for the development of the tea industry, a special authority, the Tea Small Holdings Development Authority (TSHDA), was established by the government under statute No.35 of 1975, to look after the interests of the private sector tea small holdings. The principal responsibility of this Authority was to provide extension services to smallholders and manage the cess rebate for replanting and infilling tea. The additional functions to support the main objectives included the provision of fertilizer and planting materials, and to set up tea smallholder development societies. Of the total staff complement of over 600 in the TSHDA, the tea extension officers (TEOs) were only 25% of this number. The 150 TEOs had the responsibility of servicing around 206,000 smallholders, at the ratio of one extension officer for 1,400 smallholders which was indeed a difficult task. Further the authority had to face many difficulties in undertaking the task assigned to them, due to the lack of basic information relating to the small holder sector.

The First Tea Smallholder Census

Realizing the lack of basic data relating to the tea small holder sector, the Ministry of Plantation Industries directed to initiate a Census of this sector. With the financial assistance from the Tea Board of Sri Lanka, the first Census was carried out in 1983, .with the following specific objectives:

1. to identify the number and area of registered (registered with the Tea Commissioner's Dept.) and unregistered holdings and prepare an inventory of tea lands according to respective villages;

2. to establish a statistical frame for further studies;
3. to determine the structure and constraints with a view to formulating an action programme to achieve government development goals'

4. to provide benchmark information to evaluate future trends of the tea small holder sector.

Under the Land Reform Act of 1972, the maximum unit of private land per individual was limited to 50 acres (20 hectares). For the purpose of the Census of 1983, a parcel of tea land was referred to as a **'holding'**, and all private sector tea holdings managed on private basis, irrespective of size of land, were considered as smallholdings. Thus the “Small Holding” came to be defined as **“the land cultivated with tea and managed on private basis irrespective of size of land”.** By this definition, all estates or holdings owned and managed by the state were excluded.

Though there had been no reliable statistics, the number and area of tea smallholdings appeared to have increased significantly since the decade of the land reform act. Government land reform policies and land settlement schemes had specifically contributed to this increase in numbers.

As per this initial Census of 1983 (Table 1)**,** there were 159,865 tea holdings, accounting for a land area of 75,769 ha, with an average size of 0.47 ha. Of this total number of holdings,

Table 1. First Census - 1983

Administrative District	Small Holder Tea Area (ha) *	NUMBER OF HOLDINGS		
		Registered	Un-Registered	Total
Kalutara	881	580	1,263	1,843
Kandy	19,269	11,982	28,406	40,388
Matale	1,694	391	1,240	1,631
Nuwara Eliya	6,559	2,604	11,159	13,763
Galle	13,603	10,975	25,504	36,479
Matara	13,342	9,692	18,272	27,964
Hambantota	207	198	411	609
Kurunegala	124	129	95	224
Badulla	7,030	5,886	7,285	13,171
Ratnapura	9,818	8,541	9,172	17,713
Kegalle	3,242	2,861	3,219	6,080
TOTAL	**75,769**	**53,839**	**106,026**	**159,865**

* Mature and Immature Tea Area
From: Census of Tea small Holdings in Sri Lanka – 1983.

it also came to light that 106,026 holdings (or 66% of total) were unregistered holdings (unregistered with the Tea Commissioner's Department). According to the Tea Control Act # 51 0f 1957, the Tea Controller (subsequently referred to as the Tea Commissioner) is required to maintain a register of all tea lands in the country. It thus became evident that the majority of the holdings had not benefited from the replanting and infilling subsidy schemes offered by the Government since the late 1960s.

As per the figures furnished by the Department of Census & Statistics, the total tea area in 1982 was assessed at approximately 212,000 ha. Since the tea area under private ownership was estimated at 75,769 ha (irrespective of size of holding and including both mature and immature tea) in the above first census, the private ownership sector (the bulk of which were small holdings) accounted for 36% of the estimated total land area in tea production.

As per this first Census, of the island's tea production of 187 million kg in 1982, the contribution from the private owner sector was 58.4 million kg, accounting for 31% of the total production, from a land area in active tea production of 62,935 ha (mature tea) of the sector accounting for 36% of the total island's tea extent. Of this area in production, 35% (22,027 ha) was clonal tea, whilst 65% (40,908 ha) was in old seedling tea. The corresponding average yield of the smallholder sector in 1982 was 928 kg/ha, as against the low national Prodectivvy Status average of 882 kg/ha (assuming the questionable total tea extent of 212,000 ha in active production) (Table, 2).

Table 2. Small Holder Production Data (1982) & Status of Fertilizer Application in the Smallholder Sector - 1982

Planting District	Small Holder Tea Extent in Bearing (ha)	NUMBEROF HOLDINGS		Total Production (kg Made Tea)	Yield (kg/ha)
		APPLIED Fertilizer	NOT APPLIED		
Kalutara	701	807	1,036 56%	965,717	1,377
Kandy	15,373	4,620	35,765 89%	6,131,787	399
Matale	1,453	160	1,471 90%	428,252	294
Nuwara Eliya	5,788	2,759	10,997 80%	2,729,922	472
Galle	11,213	29,900	6,577 18%	21,400,658	1,908
Matara	11,309	18,909	9,054 32%	14,872,579	1,315
Hambantota	174	64	545 89%	81,678	469
Kurunegala	111	9	215 96%	22,814	205
Badulla	6,390	5,196	7,971 61%	4,799,820	751
Ratnapura	7,991	6,462	11,246 63%	6,074,498	760
Kegalle	2,427	603	5,477 90%	932,716	384
TOTAL	**62,935**	**69,490**	**90,362 57%**	**58,440,451**	**928**

From: Census of Tea small Holdings in Sri Lanka – 1983. &
: "The Census of Tea Small Holdings in Sri Lanka 2005"

Weaknesses Confronting the Small-Holder Sector

A primary cause for the poor performance of the smallholder sector (which constituted the larger proportion of the private ownership sector), was the lack of technical support for implementing improved technology, poor facilities for leaf collection due to the lack of organized collection centres, and transport problems to the processing factories. As a result of the operation of various intermediaries (middle men) in the supply chain of the produce from the grower to the processing factory, the net income to the grower was meager.

It is evident from the data in Table 2, that 57% of the total number of small holdings did not apply any fertilizer during 1982. The two districts of Galle and Matara that accounted for 82% and 68% of holdings using fertilizer, together accounted for 36.3 million kg made tea, which is 62% of the total small holder tea production.

Following this Census, in order to help disburse the facilities under the subsidy schemes, action was taken initially to register the unregistered holdings with the Tea Commissioner's Dept.

Since 65% of the tea lands were still under old seedling tea, planned programmes were initiated to replant with high yielding cultivars. Improvements in fertilizer application and other associated cultivation practices were inculcated to the growers. With the development role and extension activities of the TSHDA, supported in turn by the research and extension staff of the Tea Research Institute, there has been a steady improvement in the performance of the tea small holder sector since the first census of 1983. Consequent to this improvement, there was a further expansion in the land area coming under this sector.

With the streamlining of leaf collection through organized co-operatives and improved leaf transport facilities, the net financial benefit to the grower steadily improved. With the escalation in oil prices since 1973, and the increased buying activity of orthodox teas by mid-eastern countries, the small holder sector, particularly those in the five administrative districts of the low country, continued to enjoy a boom. Fertilizer subsidy schemes and the better organized distribution of fertilizer through the commercial processing factories encouraged the increased use of fertilizer and the consequent improvement in yields. Such changes offered a fillip to the smallholder sector, so much so, that by the early 1990s, there had been a very rapid expansion of the area under tea cultivation, including unauthorized intrusions into state-owned lands and reservations.

At the end of 1994, the total mature tea extent in Sri Lanka (seedling and clonal) was 172,875 ha (91.5%), whilst the immature tea (clonal) was estimated at 16,092 ha (8.5%), totaling 188,967 ha.

0f the above, the small holder sector accounted for 75,693 ha of mature tea, whilst immature tea was estimated as 7,227 ha, totaling 82,920 ha (Table,3). The small holder tea area thus was 44 percent of the total extent in tea in 1994, which is an increase of about 10 percent over the census of 1983, when this sector accounted for 36 percent of the total area.

THE SECOND CENSUS 1994

In the Census carried out in 1994, the operational units owned by one or more persons which are less than 20 perches (0.30 acres or 0.125 ha) had been excluded. As per this second census, the number of holdings with mature and immature tea amounted to 206,652 holdings totaling an aggregate of 82,919 ha. (Table 3)

Table 3. Number of Small Holdings & Extents(Ha) In the Three Census

District	1983 Census		1994 Census		2005 Census	
	Number of Holdings	Extent (ha)	Number of Holdings	Extent (ha)	Number of Holdings	Extent (ha)
Colombo			13	14	491	236
Gampaha					9	2
Kalutara	1,843	881	8,494	2,566	38.263	7,587
Kandy	**40,388**	19,269	**14,198**	9,733	**30,747**	12,486
Matale	1,631	1,694	705	1,305	1,408	1,190
Nuwara Eliya	13,763	6,559	10,892	7,053	17,547	5,971
Galle	**36,479**	13,603	**56,547**	17,855	**90,524**	25,325
Matara	**27,964**	13,342	**44,051**	16,886	**67,613**	22,971
Hambantota	609	207	1,186	306	2,533	492
Kurunegala	224	124	135	42	151	99
Badulla	13,171	7,030	15,287	6,899	29,679	7,863
Moneragala			77	25	637	67
Ratnapura	**17,713**	9,818	**49,161**	17,789	**97,984**	28,232
Kegalle	6,080	3,242	5,906	2,446	19,637	5.753
TOTAL	159,865	**75,769**	206,652	**82,919**	397223	**118,274**

As per this second survey carried out after 11 years since the first one, the number of holdings had increased from 159,865 in 1983 to 206,652 in 1994, which corresponds to an increase of 29 percent . The tea extent under this sector of 75,769 ha in 1983 had increased to 82,920 ha, which corresponds to an area increase of 9.4 percent. This extent of small holder tea area corresponded to 44 percent of the total tea area (a total estimated at 188,967 ha in 1994, of which 172,875 ha was in mature tea under production). Besides the abandoning of an unknown extent of state owned tea area, it also came to light that about 4,456 ha of small holder old tea had been abandoned up to 1994.

Performance Status

Of the total of 206,652 small holdings in 1994, 141,061 holdings were assessed to be in a satisfactory state (68%), of which 12,757 holdings (6%) were assessed to be in very good condition. A total of 65,591 holdings (32%) were assessed to be holdings in poor condition.

Fertilizer Use

The 1982 Census revealed 90,352 holdings (57%) to have not applied any fertilizer. Of the 69,490 holdings that had used fertilizer, the proportion of holdings that had used fertilizer in the two smallholder progressive districts of Galle and Matara was 82% and 68%, respectively. As a result, these two districts together accounted for 36.3 million kg made tea, which is 62 percent of the total small holder tea production (Table 2).

During the 1994 census, it became evident that only 31,399 holdings (15.19%) did not use any fertilizer, whilst 56,581 holdings (27.38%) were using fertillizer on a regular basis, and the remainder of 118,672 holdings (57.4%) applied nutrients intermittently.

External Funded Tea Small Holder Development Projects

As stated under the section "weaknesses confronting the smallholder sector", there was an urgent need for further strengthening this sector that contributed a significant share of the total tea production in the country and comprising largely of peasant farming communities, a significant number of whom were yet hovering around poverty line. The much needed financial assistance was therefore sought from international lending institutions.

At the request of the Government of Sri Lanka (GOSL), the Asian Development Bank (ADB) approved US $ 25 million as financial assistance for the Smallholder Tea Development Project (STDP) in 1989, The project was executed during the period 1989 to 1998. The funding included direct improvements of small holdings, provision of appropriate road network and related infrastructural needs, factory development, nurseries to propagate approved clones, increasing smallholder extension staff and support vehicles.

In view of the further investment needs for the development of the Tea Smallholding Sector, the GOSL requested further funding from the ADB in 1995, for a follow-on Tea Development Project. Following the approval of funds, the Second Tea Development Project (TDP) commenced operation from 1999 and was executed until December 2005.

Financial Assistance:

a) Increasing income of tea smallholders;

   To increase yield to a minimum of 1,700 kg/ha (from an average of 928 kg/ha in 1982) in low-land and 1,600 kg/ha in mid and high country; with incremental production of 20,000 tons of tea valued at US $ 38 million per annum; generate employment for 34,000 person-years during development stage of the tea plants; generate employment for 15,000 person-years of employment at full maturity of tea.

b) Improving the environment in the project area.
   Aforestation of 1,000 ha of degraded land

The total estimated cost of the project was US $ 93.8 million, of which US $ 35.0 million was to be financed by ADB and an equivalent of US $ 24.3 million by GOSL. Project beneficiaries were expected to finance US $ 30.8 million and a further US $ 3.7 million was to be financed by participating financial institutions.

There were four main project components identified for implementation. These were:

i. Institutional Reforms and Strengthening

a. Implementation of a Voluntary Retirement Scheme in the three main Institutions of: Tea Research Institute (TRI); Tea Smallholder Development Authority (TSHDA); National Institute of Plantation

Management (NIPM); and, Sri Lanka Tea Board (SLTB).

b. Strengthening of TSHDA extension services.
c. Strengthening of TRI for establishment of 80 ha of Mother Bushes and the Development of the Ratnapura Research Station.
d. Strengthening of Tea Smallholder Societies and Associations
e. Provision of Training for Tea Extension Officers, staff of private factories, staff of participating financing institutions, smallholders and Society staff.

Credit for Tea Development

f. Replanting @ 2% of the total extent under tea per year
g. Nursery Development
h. Infilling vacancies
i. Rehabilitation and modernization of factories
j. Supply of leaf transport vehicles
k. Construction of green leaf collection sheds

ii. Social Infrastructure and Aforestation

a. Rehabilitation of workers' housing and provision of sanitary facilities
b. Improvement of feeder roads
c. Aforestation

iv Project Management and Coordination

The Third Census - 2005

As per the 2005 Census (Table 3), the number of tea small holdings had increased to 397,223 holdings from previous census in 1994 when the number of holdings was 206,652, which is a significant increase of over 48% during this period of 11 years. In this census, the smaller number of units less than 0.125 ha (46,241 holdings, corresponding to 1,782 ha) had also been included. Extent-wise, the increase to 118,274 ha accounted for an increase of 30% during this intervening period.

As seen in the above table (Table 3), the holdings in 2005 in the four main Administrative Districts of Kandy, Galle, Matara and Ratnapura, account for 72% of the total extent of holdings amongst 14 surveyed tea growing Administrative Districts.

With an extent in production of 110,236 ha, yielding an average of 1,853 kg/ha (Table 4), the total production of Made Tea by Smallholders in 2004 was 204.6 million kg, which is 66 percent of total country production of 308.1 m. kg.

Table 4. Current Yield Performance of the Smallholder Sector

District	Number of Tea Holdings	Number of Operators	Extent Mature Tea (ha)	Green Leaf Production in 2004 kg	Av. Yield in 2004 Kg/ha	
					Green Leaf kg/ha	Made Tea kg/ha
1. Colombo	491	478	117	1,051.630	8,988	1,933
2. Gampaha	9	9	02	540	270	58
3. **Kalutara**	38,263	35,908	6,730	79,625,335	11,831	**2,544**
4. Kandy	30,747	29,224	11,668	58,955,172	5,053	1,087
5. Matale	1,408	1,387	1,117	6,265,998	5,610	1,206
6. Nuwar Eliya	17,547	16,875	5,585	30,814,920	5,517	1,187
7.**Galle**	90,524	81,491	23,658	239,854,031	10,138	**2,180**
8. Matara	67,613	63,273	21,892	181,339,162	8,283	1,781
9. Hambantota	2,533	2,386	445	3,010,831	6,766	1,455
10.Kurunegala	151	145	98	186,747	1,906	410
11.Badulla	29,679	28,101	7,471	37,550,267	5,026	1,081
12.Moneragala	637	634	58	266,862	4,601	989
13.**Ratnapura**	97,984	92,038	26,252	263,554,040	10,039	**2,159**
14.Kegalle	19,637	18,893	5,143	47,139,719	9,166	1,971
TOTAL	**397,223**	**370,842**	**110,236**	**949,615,254**	**8,614**	**1,853**

From: "The Census of Tea Small Holdings in Sri Lanka 2005"

It is thus evident that the estimated small holder average yield of 928 kg/ha in 1982 had doubled to 1,853 in 2005.

Productivity Status of Private Estates Vs Privatized Company Plantations (2005)

Private Estates = 205.8 m.kg (65%) Yield = 1,766 kg/ha
Private Companies = 109.0 m. kg (35%) Yield = 1,335 kg/ha
National = 314.8 m kg (100%) Yield = 1,589 kg/ha.

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