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Tea break

a crisis brewing in India

STOP
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ABUSE

Tea break

a crisis brewing in India

“Earlier we used to buy fish or meat once or twice a week. Now that has stopped completely. We can't even think of it on wage day... Can't cut down on rice because it fills everyone's stomachs but we can't afford vegetables and dal any more.”

Chandran, a worker on a plantation owned by Hindustan Lever, Tamil Nadu, India.¹

Summary

Tea is a national institution in the UK. But in the tea plantations of India there lies a tale of poverty, hunger and a denial of workers' rights. Since the late 1990s, at least 60,000 workers have lost their jobs as tea prices have fallen and plantations have closed down. Tens of thousands of workers are threatened by further closures. On the plantations that remain open, workers are suffering wage cuts, tougher picking demands, increasing short-term, insecure contracts and appalling living and working conditions.

Yet major global tea companies such as Unilever and Tata Tea, which buy and blend the leaves in our PG Tips and Tetley tea bags, are reaping large profits. These companies are failing to take sufficient responsibility to safeguard the rights and livelihoods of the millions of tea growers and workers who contribute to their profits.

ActionAid joined together with Indian civil society groups, and conducted interviews with workers on Davershola tea plantation owned by Hindustan Lever, a Unilever subsidiary, and with smallholder tea growers in the Gudalur valley in Nilgiris, Tamil Nadu, in June 2004 and April 2005. The interviews provide a snapshot of the problems facing workers and tea growers throughout the Indian tea sector.

ActionAid found:

- **workers paid lower wages for increased workloads**

“Our wages have gone down from 76 rupees to 71 rupees. The estate has become tougher on all workers,” – Chandran

- **workers suffering hunger and malnutrition**

“We were beginning to feel that severe malnutrition was a thing of the past. Suddenly we are seeing an alarmingly steady increase in the numbers of malnourished children,” – Dr Shylajadevi Menon

- **workers facing increasing job insecurity**

“My wife has been working as a casual worker for the last eight years. We always thought that one day she would be made permanent. But now that does not seem likely,” – Raman

- **smallholder tea growers struggling to feed their families**

“We can't afford to pull out the tea, it was such a huge investment. My grandchildren eat less food now than I fed my children in our early days when we struggled here,” – Aleyamma

- **tribal communities harassed by plantation guards**

“This is the first time they uprooted my plants, I must tell you that they pulled down my house three times and forced me to move,” – Nanan



Women workers picking tea in Tamil Nadu, southern India

Action

ActionAid is calling on the UK government to introduce new laws to ensure that directors of UK listed companies have a legal 'duty of care' to fully respect the rights and livelihoods² of communities they work with.

Directors would have to consider the impacts of their business on all stakeholders, such as workers and smallholder farmers, alongside their financial commitments to shareholders.

Background

The UK is the third largest importer of Indian tea in the world. Fourteen per cent of tea imported into the UK each year comes from India, at a value of £20 million.³ The leading UK tea brands are PG Tips and Tetley, owned by Unilever and Tata Tea respectively, both of which have significant tea operations in India.

India is the largest producer and consumer of tea in the world. The Indian tea sector:

- accounts for 31% of global tea production⁴
- is the second largest employer in India⁵
- employs more than 1.2 million workers on a permanent basis, plus a further one million casual labourers.⁶

An estimated 10 million people in India depend on the tea industry for their livelihoods⁷ and 51% of the workforce are women. The majority of women are employed to pluck tea – the most labour-intensive part of tea production.⁸

The problem: workers and tea growers at crisis point

Our field research in Tamil Nadu, as well as reports from Assam, West Bengal and Kerala, show that workers in the Indian tea sector have been severely affected by:

- abandonment and closure of plantations
- wage cuts and delays in wage payments
- worsening living conditions
- increasing job insecurity and casualisation
- a loss of welfare benefits, such as sanitation, healthcare and education
- a rise in malnutrition and starvation.⁹

At least 19 plantations in Kerala, over 30 plantations in West Bengal, about 70 plantations in Assam and three or more plantations in Tamil Nadu have closed down since the late 1990s.¹⁰ It is estimated that more than 60,000 workers have lost their jobs since 2002 and the livelihoods of tens of thousands more are threatened.¹¹ In 2003, a Oneworld Asia report claimed that more than 800 workers died of starvation over a three-year period in West Bengal alone as a result of plantation closures.¹²

Cause of the crisis

Many factors have been cited as causing the recent crisis in the Indian tea sector. These include a sharp drop in producer prices since the late 1990s, a lack of investment in and mismanagement of plantation estates, and rising labour costs.¹³ Analysts agree that the fall in prices is one of the most significant causes of the crisis, and suggest that prices are being driven down by an oversupply of tea on the Indian market generated by:

- a decline in demand on global tea markets
- increasing productivity on plantations
- an expansion of plantations in northeast India
- a decrease in demand for low-quality tea from tea companies.¹⁴

Fifty-five per cent of Indian tea is sold through auction houses, with the rest sold through private sales.¹⁵ Since 1998, auction prices for tea have fallen by 33% in

southern India, from 69 rupees per kg to 46 rupees per kg in 2004. In northern India, auction prices dropped by 12% during the same period.¹⁶

Many plantations and tea growers are selling their tea for less than it costs to produce: the Tea Board of India and the Indian Tea Association estimate that the cost of production is between 65-75 rupees per kg.¹⁷

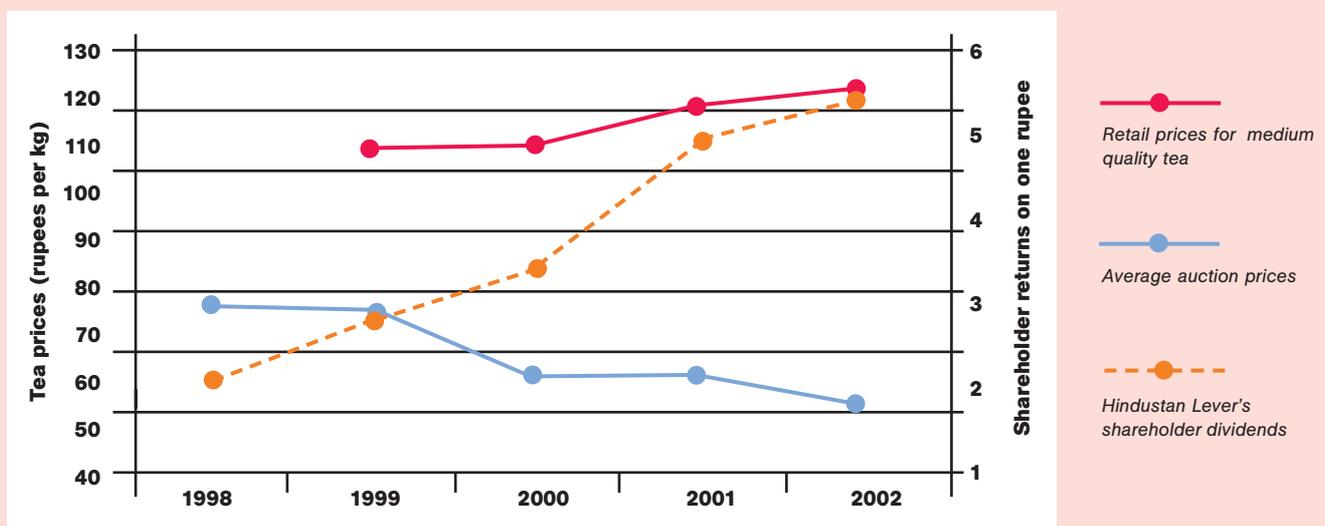
Several industry insiders interviewed by ActionAid also believe the large buying companies have co-operated on the auction floor to keep tea prices low. One tea broker, interviewed by ActionAid on condition of anonymity, said: "They first buy privately. Using that they suppress prices in the auction. Then they go back to private sales...and the sellers come back to them again, thinking that these are better prices."¹⁸

An independent report commissioned by the Indian government in 2002 also suggested a merging of interests between brokers and buyers, as well as co-operation between buyers at auction houses, both of which prevented tea growers from fetching a fair price at auction.¹⁹

Tea companies benefit from the tea crisis

Whilst prices paid to plantations and smallholder tea growers have fallen since 1998, retail prices for tea in India have increased. The average price for medium quality tea sold in shops increased from 86 rupees per kg in 1999 to 119 rupees per kg in 2002, and it continues to rise.²⁰ It is doubtful that the rise in consumer prices for tea is a result of increased

Fig 1: auction prices for tea compared to retail prices, and Hindustan Lever's shareholder dividends



Source: calculated from tea statistics, Tea Board of India 2003.²²

operating costs incurred by tea companies. Hindustan Lever announced in 2004 that: *"We have considerably improved the shape of our food business, with gross margin improvement of about 13% in the last three years... Our continued focus on operational efficiencies and cost reduction has resulted in very good improvement in our operating margins."*²¹

At the same time the large tea buying companies such as Hindustan Lever and Tata Tea have continued to reap increased dividends for their shareholders. Since 1996 Hindustan Lever's shareholder dividends have quadrupled from 1.25 rupees dividend on one rupee share in 1996 to 5.50 rupees dividend in 2003.²³

Beverages make up approximately 10% of Hindustan Lever's total revenues of 102 billion rupees (£1.25 billion) and Brooke Bond, its leading packaged tea brand, is the second biggest brand in its entire portfolio.²⁴ Despite the problems in the tea sector, Hindustan Lever's finance director predicts a bright future for its tea business: *"In tea, we see a lot of value associated with branding. Brooke Bond is a very strong brand and we plan to re-launch it. The tea business also has a good margin profile and offers much scope for value addition and differentiation through packaging."*²⁵

Tata Tea has also recorded healthy profit margins in the last two years and according to an investor report in January 2005 its *"Indian operations were strong mainly owing to improved realisations on garden tea and strong performance of its branded tea operations."*²⁶

A 2005 report for the International Labour Organisation (ILO) notes that the large tea companies are benefiting from the fall in auction prices and rise in retail prices for tea: *"This widening gap between consumer and auction prices... is cutting into the margins realised by the tea producers but is not being passed on to the consumer in the form of lowered tea prices."*²⁷

Similarly a report by the government of Assam published in 2004 found it *"unfathomable that the retail price of tea has not come down with the fall of auction prices. Certainly, the margins of intermediaries are far too high."*²⁸

Whether the large tea companies use their market power to push down prices or take advantage of depressed markets to pay low prices, they are clearly benefiting from the current situation. Meanwhile many tea workers and producers are suffering hunger and malnutrition as they struggle to make a living from growing tea.

ActionAid research

Tea workers in India are highly dependent on plantations for food, drinking water, housing, education and healthcare.²⁹ The majority are migrant workers or tribal peoples and plantations are often situated in isolated, remote areas. The closure of plantations has left workers with few alternative means of livelihood or support.³⁰

Plantations that have remained open have cut or failed to pay workers' wages, demanded tougher standards on quantity and quality from tea pluckers, replaced permanent workers with casual labourers and denied legal entitlements such as adequate housing, drinking water, electricity and healthcare to workers.³¹

The tea crisis has also resulted in the closure of plantation medical facilities. Some women have died during pregnancy because of inadequate healthcare³² and many children on the tea plantations have stopped going to school, as they cannot afford the commute, uniforms and books they need.³³

ActionAid research in Tamil Nadu found:

- workers paid lower wages for increased workloads
- workers suffering hunger and malnutrition
- workers facing increasing job insecurity
- smallholder tea growers struggling to feed their families
- tribal communities harassed by plantation owners.

1 workers paid lower wages for increased workloads

Wage cuts and the introduction of heavier quotas for plantation workers have become common throughout the tea sector in India.³⁴

"At the Hindustan Lever estates the wage level since the mid nineties declined from around 79 rupees per day for its own workers to 71 rupees per day," says Gautam Mody, from the secretariat of the New Trade Union Initiative.³⁵ *"At the same time, the productivity required increased nearly two and a half times from 8-12 kg leaf per day to up to 30 kg. The situation for contract labourers is bound to be worse."*³⁶

On its Davershola estate in Tamil Nadu, Hindustan Lever announced a wage increase for workers from 71 rupees to 72 rupees in January 2005 but also increased

the amount of tea workers have to pick per day from 20 kgs to 22 kgs. Previously workers were paid 3.55 rupees per kg but even with the nominal wage increase they are now getting only 3.27 rupees per kg.³⁷

Many workers have also been encouraged to take out loans and are getting increasingly into debt. As Chandran, a 30-year-old worker on the Davershola plantation, explains: *“Because of the loans and monthly deductions we get very little salary at the end of the month – we are not able to get by on this. Many people have left their work in order to take up their benefits to clear their loans... but this is jeopardising their future and their security.”*³⁸

2 workers suffer hunger and malnutrition

In the southern state of Kerala, 19 plantations have closed leaving 25,000 workers and their families on the brink of starvation.³⁹ It is reported that more than 240 workers died from starvation and suicide between March 2002 and February 2003 in just four tea gardens in West Bengal.⁴⁰

Chandran says many of the workers on Hindustan Lever’s estate in Tamil Nadu are struggling to feed their families and eat properly since their wages have been cut.

“Earlier we used to buy fish or meat once or twice a week. Now that has stopped completely,” he says. *“We can’t even think of it on wage day. We’ve stopped buying vegetables... now we can’t manage that. Can’t cut down on rice because it fills everyone’s stomachs but we can’t afford vegetables and dal any more.”*⁴¹

A rise in malnutrition among children and increased cases of anaemia among pregnant women dependent on wages from the Davershola tea plantation has been reported.

“We were beginning to feel that severe malnutrition was a thing of the past,” says Dr Shylajadevi Menon, the medical superintendent of the Gudalur Adivasi Hospital in Nilgiris, Tamil Nadu. *“Suddenly we are seeing an alarmingly steady increase in the numbers of malnourished children and anaemic antenatals.”*⁴²



Plantation worker, Tamil Nadu

3 workers facing increasing job insecurity

As tea prices have decreased, plantation owners have responded by reducing the number of permanent, resident workers. They rely increasingly on cheaper, flexible, seasonal and contract labourers.⁴³ Across India, the percentage of casual labourers on tea plantations rose from 13% to 24% between 1997 and 2000.⁴⁴ Conditions for casual workers are often worse than those for permanent workers and plantation owners are not obliged to provide them with benefits such as housing, food rations, healthcare and primary education.⁴⁵

A 2004 government report states that between 1998-1999 and 2001-2002, the permanent tea labour force in Assam declined from 566,000 to 483,000, while the temporary labour force increased from 227,000 to 319,000.⁴⁶ Women labourers are forming an increasing part of this casual workforce, as owners cut their operating costs.⁴⁷

“My wife has been working as a casual worker for the last eight years. We always thought that one day she would be made permanent. But now that does not seem likely,” says Raman, whose wife works on Hindustan Lever’s Davershola estate in Tamil Nadu. *“She used to be happy working there but now she is always afraid. The supervisors are always shouting at them and demanding every leaf they pluck must be perfect.”*⁴⁸



Adivasi villager, Gudalur valley, Tamil Nadu

4 smallholder tea growers struggle to feed their families

There has been a rapid increase in smallholder tea production over the last 10 years.⁴⁹ Of the estimated 88,115 tea plantations in India, about 98% are smallholder tea estates of less than 10 hectares.⁵⁰ This sector provides employment for approximately 230,000 families, yet accounts for only 11% of total tea production in India.⁵¹ Small producers often have little choice over who they can sell their tea to and just as plantation workers are living with debt and malnutrition, conditions for smallholder tea growers have worsened as tea prices have fallen.

Aleyamma, a widow and grandmother in her fifties living in the Gudalur valley, Tamil Nadu says: *“Now no matter how hard you work you can't feed your family. No one has work to give you. Everyone here is a small farmer. Everyone is having a crisis.”*

Aleyamma moved to Tamil Nadu from Kerala 30 years ago and bought three acres of land. When she first started growing tea, she could feed her family, but since the fall in tea prices her family go hungry.

“Ten years ago I could look at my life with satisfaction and say because of my hard work I have taken my family out of poverty. Now I look at my grandchildren in

despair. After working like a dog every single day of my life, we have nothing to give them,” Aleyamma says.⁵²

As smallholder tea growers like Aleyamma struggle to earn sufficient income from tea, conditions are worsening for workers employed on small-scale tea estates. Many workers have lost their jobs and since smallholder tea growers are not obliged to provide benefits such as sanitation, healthcare or adequate housing, conditions for workers are becoming increasingly dire.⁵³

5 tribal communities harassed by plantation guards

Indigenous ‘adivasi’ tribal communities bordering Hindustan Lever’s Davershola plantation in the Gudalur valley, Tamil Nadu, complain they have been harassed and intimidated by forestry officials and estate guards. They say their houses have been pulled down and their tea plants destroyed in a long-running dispute over land ownership with the plantation owners. As the neighbouring tea plantations belonging to Hindustan Lever and other companies have expanded, the adivasis of Kadchinkolly village have been forced to move further uphill.⁵⁴

Five adivasi tribes of the Gudalur valley are legally challenging plantation owners for their ancestral rights to land bordering the Hindustan Lever plantation. The adivasis complain of regular confrontations with the tea plantation guards over their land; they claim the latest incident on one of the villages took place in June 2004.⁵⁵

“The new [Hindustan Lever] manager came with forest department officials when I was working in the fields and destroyed my coffee and tapioca plants. They slashed and uprooted our silver oak, pepper, tapioca, banana and coffee bushes,” says Balan, a 40-year-old adivasi living in Pudur village, whose father and grandfather were born in the area. Their family lived on the land before the first tea plantations were planted.

“Though this is the first time they uprooted my plants, I must tell you that they pulled down my house three times and forced me to move,” says Balan's father, Nanan. *“He [the estate watcher] had to follow orders and tear down our houses. He had a good heart but he had to obey the estate bosses or he'd lose his job.”*⁵⁶

Unilever says it has investigated the complaints about land struggles between its plantation staff and adivasi villagers and is awaiting the state government's review of land titles in the area.⁵⁷

Tea power: companies' duties to workers and growers

The large tea companies hold a powerful position in the Indian tea market. Hindustan Lever controls over 39% of the packaged tea market in India whilst Tata Tea has a 21% share.⁵⁸ Hindustan Lever buys around 10% of India's total tea production, making it the single largest buyer of tea in the country.⁵⁹ In 2003, it bought 21.4 million kgs of the total 134 million kgs sold at Kolkata auction, one of the largest auction houses in India.⁶⁰

Despite this, the large tea buying companies are failing to use their influential position to help address the problems affecting tea plantation workers and smallholder growers. The companies' focus on increasing profits and shareholder dividends has been at the expense of thousands of people's livelihoods. As a 2005 report for the ILO into plantation conditions in West Bengal points out: *"The effort of the producer-retailers is to restrict costs at the production stage in order to reap high profits at points located higher on the value chain."*⁶¹

The major tea companies have recently announced plans to sell off their plantation holdings. They intend to concentrate resources on the more lucrative business of branding and marketing, rather than production, of tea.⁶² The companies will continue to buy tea at auction and in private sales but are moving out of the plantation sector in order to reduce the costs associated with owning and maintaining plantations. Tata Tea started to transfer its 17 south Indian plantations to a new company in February 2005, and Hindustan Lever announced in April 2005 that it would sell all of its 14 plantations, located in Tamil Nadu and Assam, to wholly-owned subsidiaries.⁶³

Trade unions and other civil society groups in India are concerned that, by selling off their plantations, the companies are abdicating their responsibilities towards tea plantation workers and that the risks associated with tea growing, as well as the more recent problems in the sector, will be borne to a large extent by tea workers.⁶⁴

The tea crisis in India presents another example of multinational companies – including those headquartered in the UK – failing to live up to their

Unilever corporate social responsibility

"To succeed requires the highest standards of corporate behaviour towards our employees, consumers and the societies and world in which we live." – Hindustan Lever⁶⁵

Unilever has developed a reputation as a leader in corporate social responsibility in the UK, and is listed as the market leader in food and beverages on the Dow Jones Sustainability Index.⁶⁶ It has developed a Code of Business Principles, as well as a 'Sustainable Agriculture Initiative', which sets out a number of standards for producers supplying the company with tea.⁶⁷ Unilever is also a member of the Ethical Tea Partnership – an alliance of European, US and Canadian tea companies, which monitors conditions on tea plantations worldwide.⁶⁸

Unilever's corporate social responsibility initiatives are a step in the right direction in improving their social and environmental performance but clearly need to be strengthened and fully implemented. We believe they should be underpinned by legally-binding regulation to ensure directors of UK companies adequately

safeguard the rights and livelihoods of workers and farmers in developing countries.

To address the crisis in the Indian tea sector, Unilever and its subsidiary Hindustan Lever should:

- 1** apply fair trade principles⁶⁹ to all trade with producers in developing countries as standard corporate practice, pay a fair and sustainable price and negotiate with trade unions and other stakeholders to find practical ways to stabilise the price of tea
- 2** support locally-owned and locally-driven processes in tea producing countries to ensure decent living and working conditions on tea estates
- 3** support the participation of workers and tea producers in standard setting processes and assist suppliers in meeting such standards
- 4** transfer ownership of their plantations in a transparent and responsible way in consultation with trade unions and other stakeholders in order to protect the rights of plantation workers, adivasi and tribal communities and smallholder tea producers
- 5** support the introduction of a legal 'duty of care' on directors of multinational companies under UK law.



Women tea pickers, Gudalur valley, Tamil Nadu

rhetoric on corporate social responsibility. Companies are abdicating their responsibilities to respect the rights of poor communities by paying low crop prices and meagre agricultural wages while reaping handsome profits. As Ron Oswald, General Secretary of the International Food Workers' Association (IUF) says: *"The transnational tea companies have benefited enormously from the steep fall in tea prices. They must accept responsibility for the social conditions of the women and men who contribute their labour to their products, so workers at every step of the production chain can earn a decent livelihood for themselves and their families."*⁷⁰

ActionAid is renewing its call on the UK government to make poverty history by placing new legal obligations on company directors to exercise a 'duty of care' for the social and environmental impacts of their companies' activities and investments.

This duty would require company directors to consider fully both the long and short-term consequences of their activities, their relationship with suppliers and customers, employees' interests and the impact of their operations on communities and the environment.

Such duties, combined with an effective implementation of Indian labour and market laws, would ensure multinational companies operating in the Indian tea market would be required by law to take adequate steps towards safeguarding the livelihoods of Indian tea workers and growers.

We believe directors of UK companies who do not take all the necessary steps possible to limit the negative social and environmental impact of their businesses should be legally accountable for the damage they cause.

Until such reforms are adopted, directors will continue to work towards the narrow interests of their shareholders, without adequately considering the impact of their business on communities and the environment.

Recommendations

ActionAid recognises that the Indian tea crisis has multiple causes, which require a variety of solutions. These solutions should include: improved supply management of the Indian and global tea market; assistance to producers to diversify out of tea production; stronger competition law to curb the misuse of corporate buying power and to promote social and developmental objectives; as well as flexibility within trade agreements to allow the Indian government to protect key agricultural sectors from trade liberalisation.

We believe that solutions to the current tea crisis must also focus on the role of the large multinational tea companies, which hold a great deal of power in Indian and global tea markets and have a significant influence over conditions for workers on plantations and smallholder growers.

ActionAid is calling on:

- 1** The UK government to introduce a 'duty of care' on directors of companies listed in the UK to hold directors legally accountable for the actions of their companies. Directors would have a legally mandated responsibility to consider the impacts of their business on all stakeholders, such as workers and smallholder farmers, alongside their financial commitments to shareholders.
- 2** Companies should negotiate with national and international civil society organisations and other stakeholders to address the tea crisis in India and should support the introduction of a legal duty of care on directors of multinational companies under UK law.

Endnotes

- ¹ Interview for ActionAid, June 2004
- ² Under the Universal Declaration of Human Rights (1948) all persons have the right to: just and favourable conditions of work and remuneration; an adequate standard of living for themselves and their family, including food, clothing, housing and necessary social services; form and join trade unions for the protection of their interests. See: <http://www.un.org/Overview/rights.html>
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- ⁵ *ibid*
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- ¹⁴ *Asian Food Worker journal*, vol 33 no. 1 (2003) *Indian tea industry disaster: what will unions do next?* at: <http://www.asianfoodworker.net>
- ¹⁵ Indian Tea Association (2004) *op cit*
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- ²³ Hindustan Lever annual reports of 2000, 2001, 2002 and 2003. See: <http://www.hll.com> and <http://202.87.40.171/comp/investorreturn.asp> and <http://www.indiaonline.com>
- ²⁴ *The Hindu Business Line*, 13 April 2005 at: <http://www.thehindubusinessline.com/2005/04/13/stories/2005041302130200.htm>
- ²⁵ Mr D Sundaram, Director (Finance), Hindustan Lever quoted in *The Hindu Business Line*, 29 June 2003 at: <http://www.blonnet.com/iw/2003/06/29/stories/200306290341400.htm>
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- ²⁷ Sankrityayana, J (2005) *op cit*
- ²⁸ Government of Assam (2004) *Report of the committee on tea industry of Assam*, Guwahati
- ²⁹ Under the Plantation Labour Act (1951) plantations must provide workers with: fuel and food rations, safe drinking water, housing, sickness and maternity leave, free primary education and healthcare facilities. See Chattopadhyay, S (2005) *op cit*
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- ⁴² Interview for ActionAid, June 2004
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- ⁴⁶ Government of Assam (2004) *op cit*
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- ⁵⁶ Interview for ActionAid, June 2004
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- ⁶³ *The Hindu*, 9 April 2005, at: <http://www.hindu.com/2005/04/09/stories/2005040905571600.htm>
- ⁶⁴ From telephone interviews with representatives of CEC, New Trade Union Initiative and IUF, April 2005
- ⁶⁵ See: <http://www.hll.com/HLL/reachingout/communitydev.html>
- ⁶⁶ The Dow Jones Sustainability Index (2004) at: http://www.sustainability-indexes.com/djsi_pdf/news/PressReleases/DJSI_PressRelease_040902_Review.pdf
- ⁶⁷ See: <http://www.unilever.com>
- ⁶⁸ Formerly named the Tea Sourcing Partnership. See: <http://www.ethicalteapartnership.org>
- ⁶⁹ Incorporating the principles of fair trade as standard corporate practice means that companies must: pay a guaranteed minimum price that ensures producers have a decent standard of living; engage in long term relationships with producers; pay a social 'premium' that producers can use to invest in improvements to their businesses and living conditions; and make advance payments when required. See: <http://www.fairtrade.org>
- ⁷⁰ Personal communication via email, 9 May 2005

ActionAid is a unique partnership of people who are fighting for a better world - a world without poverty.

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