PRESIDENTIAL ADDRESS
BY T. JAYARAMAN
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PRESIDENT'S ADDRESS

I feel both privileged and humbled to stand before you, as President of UPASI, at its 125th Annual Conference. UPASI's existence, for 125 years, is truly a significant achievement, with UPASI being the planters' voice, over all these years.

Plantation is one of the largest employers' in the country providing direct employment to as many as 2.5 million people and supporting three times that number indirectly. The Nithi Ayog CEO Amitabh Kanth said "We have to take a big leap in social innovation to make over 60 percent of India, living in rural areas, a part of our growth story. Real solutions for the country's problems should come from these rural areas and India cannot achieve a GDP growth rate of 8 to 10 percent a year if a vast percentage of the population was excluded from the growth cycle." Since plantations employ so many people in the rural areas, the plantations need to remain healthy so as to play its part in the growth story of India.

The plantation industry has to connect with the vision and demands of a New India so that enterprises can thrive, thereby improving the quality and lives of its workers; it cannot be overemphasized that the two are interdependent and the only sustainable way forward. This would also provide consumers with the confidence that they are paying their hard-earned money for a sustainably produced product of high quality!

It is a moment of great pride for me to mention Mr. M. Thangavelu, my Father, who I miss dearly and to who I owe this day. He was the president of UPASI in the year 1984, when available technologies, for plantations, were completely different and much has changed.

I still remember as a child, the basic necessity, of a reliable and regular electric supply, was always a concern. We only had an old diesel generator as standby power supply to the factory. The closest service center was located in Mumbai, a mere 1200 kms away and it took days for service personnel to be dispatched, in case of breakdowns.

The generator failed one night as old machines tend to and the immediate need for my father was to call the service center. But for the benefit of those who might not remember or the uninitiated to manual exchanges, it required (a) to wake up the operator, generally a difficult task at the best of times and almost impossible at night (b) get `trunk booking' the 2nd layer of telephone bureaucracy (c) book a call and pray that it `matured' in reasonable time.

There were different levels of service like `ordinary' which meant that calls were booked and forgotten; `urgent' for calls to mature by the next day and finally `lightning' at 8 times normal cost, for the desperate. After the `lightning' call was placed, the exchange was able to connect us with the service center at a 'lightning' speed of 10 hours after the call was booked!

As we know today, communication is the lifeblood of any business and things were not to change till early '90's. In a matter of few years we have seen the revolution in communication with the advent of optic fiber, mobile phones and the internet as well as a dramatic reduction in cost. We have seen technology at work in improving business efficiencies and the betterment of lives for all.

The future of our industry lies in how we invest in constantly evolving technologies. From factory machinery to field operations, technologically superior options need to be explored. The convergence of several new technologies could be the new driver of the plantation growth story - `precision agriculture'. As an industry, we had intense discussions over the past two days, in the possible introduction of new operational technologies, digital farming initiatives, water management, climate change and marketing innovations. We are hoping that these discussions shall translate to a new phase in growth and progress for the plantation industry.

All plantation crops - Tea, Coffee, Rubber and Spices are currently passing through an unusually difficult phase, with the basic problems of low commodity prices combined with high cost of production owing to low productivity of labor & land, further complicated by climate change which has adversely affected each stage. Each of these problems need to be addressed separately.

Low Commodity Prices

As far as low commodity prices are concerned, leaving other consequences aside, continual growth in population provides the opportunity of rising demand for all our commodities provided increasing population does not negate economic growth and incomes. Therefore, it is absolutely necessary for a robust promotional strategy to be introduced without which no business can be successful.

Globally, the beverage space has seen rapid evolution, especially in the developed economies and therefore we cannot wait for tradition to drive demand in our home market. India's younger population will be driving future demand. As the world has already experienced, millennial's demand innovation, quality, value and we therefore need a robust generic campaign extolling the virtues of Tea and Coffee besides positioning them as lifestyle beverages.

Climate Change

Climate change has adversely affected all plantation crops, adding to an already difficult situation. Just as an immediate example, during the month of August last year, South India experienced drought like conditions resulting in poor harvest of all crops. In contrast, we have just seen unprecedented rainfall in the same month this year resulting in massive landslides, soil erosion and floods, displacing more than a million people with the tragic loss of human lives. Farm animals have also been killed, with total destruction of homes, property and standing crop, the long-term effect of which is yet to be fully assessed. All plantations have also sustained huge crop losses owing to these heavy rains.

High Cost of Production and Low Productivity

Besides all the other factors contributing to higher costs, low productivity adds fuel to the fire of rising costs. Recent technological advances hold enormous promise in enhancing management ability, in reducing unit cost and the environmental footprint, through superior information management which would benefit the entire value chain.

We are only just beginning to realize the potential of these advances~~;~~ but it is clear, that enormous changes are in the offing. Along with improvement in crop gene pool, irrigation, and fertilizer application the challenge of labor/land productivity can only be met through increased use of mechanization. This is not about replacing labor, which in itself has become a challenge but it is about increasing yields through timely operations resulting in superior quality.

This would translate to higher incomes for plantations, reduction in arduous activity and more income generation especially for women workers and finally, improved availability of superior quality tea and coffee for the consumer - clearly a 'win-win' solution.

To achieve the goals that I have enumerated, we would need specialized research institutes to innovate and recommend their best solutions for implementation. While Government of India finds it worthy to fund 100% of all R&D activities for the Coffee, Rubber and Spices Boards, in the case of tea, funding is to the extent of 49% and restricted only to certain heads of expenditure. The government is now considering the phasing out of even this restricted funding. We request the Government of India for not only continuing our current funding but to elevate the funding status for tea on par with the other commodity Boards. Funding of R&D requirements would be a critical help to the industry at a time of crises.Let me now take the opportunity to briefly touch upon the individual features of our plantation commodities.

TEA

Globally tea continues to steadily increase in production, which has doubled in the past 20 years from 2.5 billion kg in 1995 to 5 billion kg in 2014 and adding half billion kilos in the last 3 years. Production continues to outpace consumption with Kenya, China and Vietnam showing significant increases. The growth in production, across tea growing regions was aided by an increase in the area under tea.

The Indian Tea production also grew by 54 million kg. and was placed at 1,322 Million kg for the year 2017. On the other hand, current crop prospects, for South India, is not encouraging, with Jan-Aug production being 22 million kg lower than last year. As mentioned earlier, heavy crop losses are being reported in most tea growing regions due to the very heavy South West Monsoon.

Indian export performance showed an improvement in 2017 with a volume of 252 million kg exported – highest recorded in the history of Indian tea. The buoyancy in exports continues this year with the first six months recording an increase in exports of 4.5 million kgs. Despite improvement in exports, tea prices remained subdued in 2017. The decline in prices was largely a south Indian phenomenon as prices dropped from an average of Rs. 104 per kg to Rs. 97 per kg, and this trend continues into 2018.

Despite being the top producer of black tea in the world, the per capita consumption of tea in India, according to the latest Tea Board - Deloitte study, was only 786 grams per annum, while it was 3-4 kg in Russia. We need a focused generic promotion campaign, in the domestic market, to increase the per capita consumption of tea.

COFFEE

Global coffee production was robust with Brazil expecting to harvest a record crop of 3.6 million tons this year. In Asia, Vietnam has harvested a record crop of 1.8 million tons. The high output in Brazil and Vietnam will increase the coffee surplus to 396,000 tons in 2018/2019 season.

Domestic coffee production, for the year 2017-18, was at 316 thousand tons with 95,000 tons of Arabica and 221,000 tons of Robusta. Coffee production in India, during the ensuing season, is expected to slump to its lowest level in the last 3 decades; heavy rains, floods and landslides, in the main coffee growing areas in Karnataka and Kerala, have caused severe damage and the Coffee Board has estimated a reduction of 85,000 tons.

The world coffee consumption continues to grow. As per the ICO estimates the total consumption in the year 2017-18 was estimated at 9.6 million tons compared to 9.4 million tons in 2016-17. Despite buoyant consumption growth across all regions, prices did not rally. The current farm gate prices for Arabica parchment is Rs. 130/kg and for Robusta cherry Rs. 60/kg.

NATURAL RUBBER

The global Natural Rubber production during 2017 was 13.5 million tons as against 12.6 million tons in the previous year, an increase of 900,000 tons. All major producing countries reported an increase in crop.

On the domestic front, the Indian rubber production was estimated at 690,000 tons during 2017/18. The production of natural rubber in India has shown progressive decline primarily due to un-remunerative prices. Low prices have been driving farmers to stop tapping or abandon rubber cultivation. The production in the current year has been severely impacted with the heavy rains in Kerala. Rubber board has estimated a loss of 125,000 tons against last year as heavy rains have flooded many of the rubber farms and the threat of fungal diseases looms large. Natural rubber prices have been declining and are around Rs. 130/kg for RSS IV. In spite of a very low estimated rubber production this year, Indian rubber prices have not improved because of the increasing imports of block rubber into the country.

SPICES

Cardamom production in the country during 2017-18 was estimated at 20,640 tons. Cardamom growing areas in Kerala were also severely affected by the heavy rains and it is estimated that the crop would be lower by about 50% this year. Large areas of cardamom were damaged due to huge fallen trees and fungal infections. Cardamom prices should remain firm due to the huge shortage in production in both India and Guatemala.

India's pepper production was 64,000 tons during 2017-18. Again, pepper production this year will be severely impacted due to the heavy rains and is estimated to be only 50% of last year's production resulting in a production loss of around 30,000 tons. Pepper prices came down substantially with big harvests in Vietnam last year and the resulting dumping of cheap pepper into India through Sri Lanka. While direct imports from Vietnam attract a duty of 52%, the same, via Sri Lanka, attracts no duty for the first 2500 tons and subsequently a duty of only 8%.
