

The Empire's Commodity Chain: Indian Tea in the World Economy, 1840-1947

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Premises

Of late, the World System approach which has held sway over the last two decades, has begun to rectify its own major shortcomings: privileging trade over production and "external" factors over "internal". This attempt at self-correction is being made through the advancement of a new reading of the capitalist world economy within the conceptual framework of a global commodity chain. The present paper attempts to add to the literature on this aspect by focusing on one of the 'globalized' commodities, tea, with an emphasis on specific economic and socio-geographical production sites which are, however, not contiguous, namely, the highlands of the Indian sub-continent. The paper examines the developments in the Indian tea industry as it evolved from the mid-19th century by addressing the sequences of production, processing and transportation, the division of labor accompanying them, and the generation, distribution and repatriation of profits entailed by the long-distance trade. The analysis stretches over a century, from 1839-1840 - the year in which the formation of the metropolitan Assam Tea Company and the first Opium War almost coincided - the First and Second World Wars and the Depression forming important benchmarks.

As conceptualized by the world system theorists, a commodity chain represents the net work of labor and material processes that precede a finished commodity. These linkages of raw materials, labor, processing technologies and product market materially connect economies, regions, and peoples across the world. Each production operation in a commodity chain is called a node. In relation to each node, we may examine the nature and implications of such aspects as material flows, mode of transfer, relations of production and production organization. Three reasons justify our choice of tea as our commodity of interest: it rose as one of the major imperial

assets of the entire nineteenth century; second, it became one of the most important beverages first in core Europe, spreading later to the peripheries and third, the changes it made in the local economy and in the world of business at that time were enormous.

There are three nodes - as our major concerns in this paper - in the tea commodity chain: production, processing and trade. Each of these nodes comprises several operations; in production, for instance, they are planting, weeding and plucking, the last being the major operation. Low caste men, women and children were extensively sourced and mobilized for the production of tea and also for the movement of the same to the world market. The functioning of each of these nodes has its own social division of labor and gender specificities. The workers came from ethnically distinct, linguistically divergent and geo-politically different regions, push and pull factors operating to pool them together as one pauperized mass. Processing involves operations at various stages, making tea available as a highly differentiated product aimed at different markets with different surplus generation. Changes in organization - in terms of labor and technology - were sought at various loci of production and trade largely in response to the changes in the global economy. Trade involves transportation - both by land and by sea - which in turn relates to the entire history of development of roads, communications, ports etc. The specific questions addressed herein are thus: what form did the integration of the Indian sub-continent into the world economy during the colonial period take? How did the imperial government and the colonial state shore up commodity production - tea in particular - by facilitating the development of networks across the frontiers, within the nation and across national territories? What was the nature of these networks of labor and material processes and how were they organized and developed? What was the exact nature of the movement of tea

from the Indian highlands to the world market? How did the increase in investment in the development of roads, railways, and canals, bridges and ports hasten the process of integration of the periphery with the world economy and trade? What were the mechanisms of surplus generation in the various stages, and how were they distributed across the agents of the commodity chain in question?

TEA AS INCORPORATION

In comparison with the history of beverage-commodities of worldwide, tea has a long history, from its early use to its commercial distribution from the mid-19th century. The Dutch introduced tea to Europe in the seventeenth century, more than a thousand years after it had become an article of commerce in China. But only in the eighteenth and nineteenth centuries did tea drinking become widely popular in the Western world. Tea was introduced in the coffeehouses, which opened in England about 1650; it rapidly gained popularity, replacing coffee as Europe's most favored beverage. However, China, which was probably the sole supplier of the tea to Europe, refused to renew its charter with England in 1833. With per capita consumption in the U.K. going up to about 1.2 pounds annually, England had no choice but to turn to other locales, notably the to Indian highlands, to source their tea. Control of tea - its production and distribution - thus became important for English colonialism in the mid-19th century for two reasons: the monopoly over China was lost; with its expansive market in Europe, England wanted to assure the constant supply of tea which otherwise could not be produced in the non-temperate zones of the home country. The history of tea since then has also been the history of capitalism the world over; the land-enclosure movement in the home country towards

the early steps of industrialization came to be the major device in the colonies as well, obviously under the ownership of global capital.

A Committee was set up by Lord William Bentinck to study the possibilities of cultivating tea in this country. In its report in 1834, the Committee recommended the cultivation of tea in North-East India - a region which had already been suggested to the East India Company by the botanist Sir Joseph Banks, half a century earlier - and in Nilagiri and the Western Ghats in southern India. Of the 42,000 plants reared in 1836 from the seeds imported from China, nearly 200 were planted in the hills of Kodagu, Mysore and Nilagiri and the remaining were equally distributed between Assam and the North West Himalayas. As part of the process of the commodification of land, vast tracts of the most fertile and hence arable lands were branded "waste-lands" - a euphemism that legitimized the sequestering of these lands by the Europeans who had been quick to spot their commercial value. As the development of capitalist plantations pre-supposed absolute property rights, and the fixing of tenure and land as a commodity, the colonial State(s) began to drastically alter the hitherto existing property relations. This was to mean ownership with quaternary rights, a phenomenon, which was emerging in all the cash-crop regions of the world, accelerating the process of commercialization of agriculture. The inevitable result was an acceleration of the sweeping transition of the periphery: forest-lands which were officially labeled as 'waste-lands' were first made available to the European planters as free grants; large-scale forest plunder was virtually legalized and land was increasingly appropriated; tribals were displaced; workers were recruited and made captive.

By the year 1895, there were about 56 sterling tea companies in India with a paid-up capital of more than Rs.69 million producing about 58.5 million lbs. of tea. By 1900, the capital invested

in joint stock tea companies in India was about Rs.1, 600 million of which Rs.1, 380 million was registered in London, and only the remaining in India. During 1909-10, the total British capital invested in plantations (coffee, tea and rubber) in India and Sri Lanka amounted to a sum of Rs.24.2 millions. The flow of overseas capital into the plantations in southern India was also sizeable. This is reflected in the total value of tea and coffee estates in southern India, almost all of them based on foreign capital, which worked out to Rs.200 million by the year 1896.

British capital had an effective monopoly in all exploitative economic activities such as trading, banking, shipping, exchange and insurance and in tea plantations. Through the Managing Agency system, the British merchant capital did 'promote, control and to a considerable extent finance various industrial companies all over the colonies'. These agencies ran companies that bought agricultural products, coir, timber, spices etc. and shipped them to London from where they were re-exported to cater to European needs. They 'rarely hold substantial investments in the operating companies and ownership often is virtually divorced from control'. The Managing Agents often had an opposite number in England, bearing a name different from that of their counterpart in India, which took care of the pre-requisites for capital accumulation: the London money market and the commodity market all over the world, with the periphery being the supplier of raw materials and providing a market for the manufactured products of the core.

MERCHANT CAPITAL AS GLOBAL CAPITAL

Plantations were set up either by individual planters who then approached Managing Agency Houses for financial help, or by these business firms themselves. The latter either took up planting as their maiden venture, or, as often was the case, turned to tea after having first established

themselves in other fields. Duncan Brothers & Company, Williamson Magor & Company, Alex Lawrie & Company & Davenport and Company were examples of the first type of business; the latter type included Andrew Yule & Company, James Finlay & Company, Harrisons & Crosfield, Aspinwall & Company, Darragh Smail & Company and Peirce Leslie & Company, the last being associated with not less than 41 planting companies as Managing Agents, treasurers and secretaries, many of them having been floated by the company itself. This second group of companies had begun their activities in southern India by the middle of the 19th century, trading in hill produce such as timber and spices and in other agricultural produce such as coir and coffee.

There was no item of trade, howsoever it was, in which the coastal firms hesitated to engage themselves: Peirce Leslie and Company, for instance, had a hold over nearly fifty articles of trade in its century-long history of business in India. By the turn of the century, they virtually monopolized control over the production and export of tea (and other plantation products such as rubber). Pierce Leslie & Company held a monopoly over imports as well, the composition of which included cement, iron and steel, chemical fertilizers, matches, bar soaps, piece goods and even over-used newspapers. The commercial pursuits of Parry & Company were as diversified as those of indigo, cotton, sugar, spirits, coffee, engineering, pottery, insurance, shipping, fertilizer and so on. Though the major initial investments of these companies in terms of both land and labor were made in coffee, with the emergence of tea by the late 19th century, they gravitated towards the Tea Empire instead. With the opening up of the Suez Canal in 1869, the European hold over ocean trade was further consolidated adding a fresh maritime dimension to colonial expansionism. The Managing Agency Houses and other trading companies capitalized on this breakthrough in ocean transport aided in their efforts by low freight cost and a greatly abbreviated voyage.

FROM CONSOLIDATION/CONCENTRATION TO CENTRALIZATION

By 1876 when their overseas business was booming these coastal firms joined hands with each other, engaging space in steamers at suitable intervals, and acquiring the requisite paraphernalia for further economic expansion. The Managing Agency Houses thus functioned as major importers and suppliers of inputs for the plantation sector on behalf of the absentee owner quite as any merchant capital in any sector would. Eventually the coastal firms came to hold agencies for European shipping companies such as the British-Indian Steam Navigation Company and the Asiatic Steam Navigation Company Ltd. By this time the planters' associations which had their beginnings in the 1850s, became more consolidated, ultimately forming a United Front, namely the *Indian Tea Association* in northern India in 1881 and the *United Planters Association of Southern India* (UPASI) in 1893; both having corresponding relations with the *Indian tea Districts Association* in London formed in 1879.

A system of amalgamation of smaller companies into larger ones controlled by the Managing Agencies was then followed, and a specific move was made to muster control over the planting side of the business as well. Thus a vertically integrated system of production, distribution and marketing was created, eventually leading to the concentration of ownership, the degree of the concentration being reflected in the number of companies owned and managed, control over capital and particularly the interlocking of boards of directors. This concentration of ownership was engineered by Managing Agents who took upon themselves multiple responsibilities such as those of producer, banker, shipper, broker, distributor and so on.

Beginning their operations from the middle of the 19th century, the British foreign exchange banks, the Presidency Banks and other joint-stock banks, so integral to the industrial and commercial hegemony, had evinced a substantial interest in the tea industry. Their control over the organized money market both at home and overseas, led them to a position of control over the internal finance and over all export-import transactions. 'Formal or informal links' among these commercial interests were widespread enough to sustain their economic hegemony. Many of the Chairmen and Directors of these exchange banks, all from Europe, functioned in similar capacities in the various Managing Agency Houses. James Finlay & Company and Harrisons & Crosfield, the two giants controlling more than 69 per cent of tea in southern India in the early 1920's, were typical examples of such interlocking directorships. John Muir, for example, was the Chairman of the James Finlay Group, the Director of the Liverpool & London Insurance Company and Llyod Shipping Agencies and, above all, the Director of the Grindlays' Bank. The following table gives the details of Managing Agency Houses controlling more than one sterling tea company in India in the year 1914 and helps one to gauge how vast a degree of control the European Managing Agencies had over the plantation industry in India.

These merchant capitals were very much global in the sense that they had business interests in many other parts of the world, both in plantations and in the non-plantation sector. Certain companies such as the English-based Brooke Bond and the Scottish-based James-Finlay and Company operated in plantations, merchant banking, manufacturing of food-stuffs, international finance, and so on in Africa, North America, Australia and the United Kingdom. For instance, the James Finlay Group, with their companies like Amalgamated, Anglo-American, Consolidated and

Kanan Devans in southern India - all of which came to be known as the *Kanan Devan Plantations* - altogether accounting for more than 134 lakh acres of land used, with half-a rupee per annum on every acre of land, emerged as the single largest integrated plantation in the world. James Finlay also bought nearly 23,000 acres of land in East Africa in 1925 for as low a price as £ 60 with a yearly rental of £ 200, about 40 per cent of the total being in Kenya, while Brooke Bond controlled another 40 per cent. By the turn of the century, many of these business concerns held sway over such wide-ranging activities as production, processing, distribution and marketing, bridging national frontiers while sustaining the core-periphery hierarchy. Various developments - conversion of coffee into tea, consolidation of smaller units into bigger ones and an increasing control of both coffee and tea - favoring the concentration and hegemony of global capital were simultaneously taking place in the planting sector. This was being made easily possible as the industry, by that time, had entered into a new phase of increased centralization of capital with far reaching implications.

TRANSPORT NET WORK

By the latter half of the 19th century, rail and roadways starting from the port-towns of Bombay, Calcutta, Madras and Karachi were opening up, thus reinforcing the hegemony of the European core. European Managing Agents - George Williams & Company and Octaves Steel Company in the north and Pierce Leslie and Harrisons & Crosfield in the south dominated the scene not only controlling the production sites but also acquiring agencies for transportation, particularly shipping. Roads were built and railways were constructed, both to the interiors and to the exteriors, aimed not only at the movement of produce to the world market but also at the movement of labor and foodstuffs.

THE 'MARITIME FACTOR'

The sea has ever been a powerful environmental context in the history of human cultures, and the expansion of the world-economy. By the time global capital began its penetration into southern India with the resultant tea production, oceanic trade had undergone significant changes: the Navigation Laws were beginning to be relaxed; companies with huge investments in the shipping industry were floated with more regularity, connecting with railways, and minimizing demurrage; fuel-efficient iron-screw steamers were being used; The big business concerns that emerging thus included the Glasgow-based City, Anchor and Glen Lines, the British and Africa Steam Navigation Company and the British India Steam Navigation Company. The Peninsular Orient (P&O) adopted the screw in 1851; the Hamburg-Amerika line had its screw-propeller steamer in 1856; these and other developments occurred in the mid and late nineteenth century while the far-east route still remained under the monopoly of British capital.

The European Managing Agents controlling the planting industry in India lost no time in acquiring agencies in many shipping companies. The Peirce and Leslie & Co., the Clan Line, Rotterdam Lyod, Hamburg-Amerika, the East Asiatic Company, the Hansa line, the Asiatic Steam Navigation Company Ltd etc. Capital expansion from Europe further necessitated the construction of a railway line across the isthmus of Panama in 1855 and the opening of the Suez Canal in 1869; the latter took 4,000 miles off the sea route from Britain to Calcutta. By this time, the handling of tea had already been "completely revolutionized" at the Port of London, and the Tilbury Docks.

IMPOVERISHED WOMEN AS TEA PLUCKERS:

Tea production is both labor and capital intensive. Similar to other tropical crops such as sugar cane, tea requires labor throughout the year, which in turn leads to bondage in freedom. Tea production required both skilled and low skilled labor. The features such as division of labor by age, gender, and time discipline, makes more resemble to industry, as in the case of sugar, for instance. Metropolitan capital sourced oppressed caste/dalit women and children because these formed yet cheaper sources of labor. As the plantations flourished and expanded, so did the processes of pauperization and immiserization gain root: tribals were robbed of their forests, and peasants were squeezed under the burden of increased land revenue. These hapless and displaced people were the first to form the work force in the newly set-up plantations. The tenants and laborers of the plains who were released in the off-seasons to move up the hills constituted another major source of plantation labor. Refugees and survivors of natural calamities that often devastated the villages of southern India formed the most pathetic of all the sources of plantation labor. Caste conflicts and intense caste oppression also served to push the dalits into the plantations more in search of solace as testified by their own leaders. The workers were assured of a society devoid of customs. The planters did not fail to capitalize on the *Mapila* revolts either: that these revolts were directed against themselves seemed immaterial. In brief, the villages that suffered most in terms of hikes in land revenue, famine and other calamities and caste oppression contribute most to the plantations. The planter's initiative to import *Chinese* and *Sinhala* laborers met with limited success. It was by mobilizing and making labor captive, that the planters continued to introduce changing mechanisms of exploitation and increased production for the world market. Women were largely employed in plucking whereas, men came

to dominate in processing. The centrifugal rolling machine replaced the ancient Chinese style of processing in the 1860s, which later gave way to the C.T.C. machine in the early 1930s.

CORNERING THE GLOBAL MARKET

A turning point in the history of incorporation with world trade began with the entry of tea from India at the London auction sales on 10th January 1839, sounding the death knell for Chinese monopoly in tea which in turn made sweeping changes in the Indian periphery. The last quarter of the nineteenth century thus witnessed a continuous increase in the volume of trade in tea from India. British imperialism had the advantage of re-exporting tea to no fewer than thirty-five foreign countries even as early as the 1880s. More than 80 per cent of the tea exported from southern India moved to Britain, from where, after meeting the local demand, it was re-exported to other countries such as Germany, Canada, the USA, Holland and Russia. During 1934-5, the re-export of tea from Britain constituted nearly 14 per cent of the total tea imported by the country, which, of course, has declined since then. The colonial states financed international exhibitions at Paris, France and at St. Louis, USA for the exhibition of plantation produce, which in turn had the effect of expanding the global market for tea.

SURPLUS DRAIN

In the tea trade, fabulous profits were reaped and promptly repatriated to Europe. International agreements were conducive to the tiding over periodic crisis, often of overproduction. The earliest reliable evidence of profits generated in the tea planting industry in India was for the year 1895. It was reported that 56 sterling tea companies in India had made a profit of 5.38 million pounds in the year 1895.

The wartime boom of the early 1940s secured very high profits for the tea industry. The increase in the net profit per acre in India was remarkable. The per acre net profit of 14 tea producing companies in southern India, for instance, increased by more than 87 per cent during the period of 1939-46, while that of 8 companies having interests besides tea increased by 13.68 per cent during the same period. Certain overseas companies such as Harrison and Crosfield made a net profit of more than 3,41,000 rupees in one single year 1943, the highest recorded in the history of the company. The increase in the gross profit to total capital employed and the dividend as percentage of profit in the tea industry in India as a whole is significant. Profits and profit repatriation touched new heights during the Second World War and this trend continued so even after Independence. It was the war-time demand for tea and the consequent increase in export at a higher unit price and the new modes of exploitation pursued by the planters that facilitated the increased generation of profit during the years 1939-46. It may be noted that the profit figures reported themselves could be an underestimation in view of the fact that there existed various methods of hiding actual profits such as the issuing of bonus shares and new shares at a fraction of their market value, distribution of share holdings in other companies, paying up of uncalled capital out of profit or by the holding of shares in another company. Given the fact that many prosperous companies and corporations, tea companies being no exception, frequently adopted such methods, the profit figures that we analyse could, in reality, be much below the actual profit realised. This was also the case with dividends.

Given the low technology and relatively import-free nature of tea production and processing, dividend payments constitute a major form of payment to the parent company and thereby a prominent means of drain of surplus. An all-India study reveals that during the period 1922-27, the average rate of dividends declared on ordinary shares in certain tea companies with

either overseas or domestic bases stood at the highest range of 20 to 35 per cent. In a later period, the dividend as percentage of profit was as high as 91 with respect to sterling companies and 122 with respect to rupee companies while it was 106 with respect to rupee companies partly Indian and partly non-Indian. It may be noted that dividends declared by certain firms bore no relation to the profits earned but were dictated by the financial needs of the holding company in London. This tendency became stronger in the immediate post-1947 phase when foreign firms were busy laying out schemes to drain away as much surplus as possible. Stanmore Ltd., a subsidiary of Brooke Bond in Annaimalai, for instance, paid a dividend of 87 per cent in 1951 and 72.5 per cent in 1953. The dividends declared was highest in the year 1951, a year in which the Plantation Labour Act was passed, yet the planter class succeeded to overcome the same until 1954 arguing the financial difficulties of the plantation enterprise. There is another face to the accumulation of profits in plantations and its repatriation - the high remuneration paid to Managing Agents and Directors and also to the European supervisory staff members in the sterling companies. The commission as percentage of gross profit paid to staff in the sterling companies increased from 3.39 in 1939 to 5.95 in 1954. The percentage of commission paid to Managing Agents and Directors as related to gross profit also rose significantly from 8 per cent in 1939 to 54 per cent in 1952 in the case of sterling companies. The remuneration paid to Managing Agents and directors of the Sterling companies in India, for instance increased from Rs.27.7 lakhs in 1939 to Rs 45.3 lakhs in 1946 and further to Rs 119 lakhs in 1953, the bulk of which was repatriated.

The post-war boom aided the overseas European firms engaged in oil, mining and plantations in the accumulation of enormous profits. The studies regarding the accumulation of profits by the plantation sector and its repatriation since Independence conducted by the Reserve

Bank of India are also worth citing: plantations alone were responsible for over 27 per cent of the total liabilities payable abroad. This amounted to Rs.10.16 crores. Another study done by the RBI in 1953 also brought out the fact that tea plantations had realised huge profits after taxes, amounting to Rs.12.71 crores and were responsible for more than a third of the total liability payable abroad with respect to foreign business investments. According to the *Taxation Enquiry Commission Report*, the direct investments by foreign concerns in tea in India amounted to Rs.63.67 crores in 1953 and the profit realised was Rs. 12.83 crores or 20.1 per cent of the total direct investment. It means that profits equal to direct investments were realised every five years and were promptly repatriated. During the five- year period 1946-51, tea topped all the 17 industries excluding the match industry in terms of net profits after tax in relation to net worth. The plantation sector as a whole, for instance, distributed/repatriated 69 per cent of its net profits over the years 1956-61; still later during 1970-74, the net capital outflows from the plantation sector on an average worked out to Rs. 33.4 million per year; behind such huge profit accumulation which was promptly repatriated, lay the sweat and blood of the plantation labourer. And even as the smallest share of this prosperity was denied these toiling workers, world economic crises were dutifully transferred to them; the truth of the situation was not long lost on the workers who began to resist such exploitation both at the site of production as well as in the marketplace.

Sources of Data:

Manuscript material from various archives, manuals, gazetteers and other government documents, legislative proceedings, minute and proceedings of planters' associations, data from Chambers of Commerce offices, old and contemporary journals have been consulted.