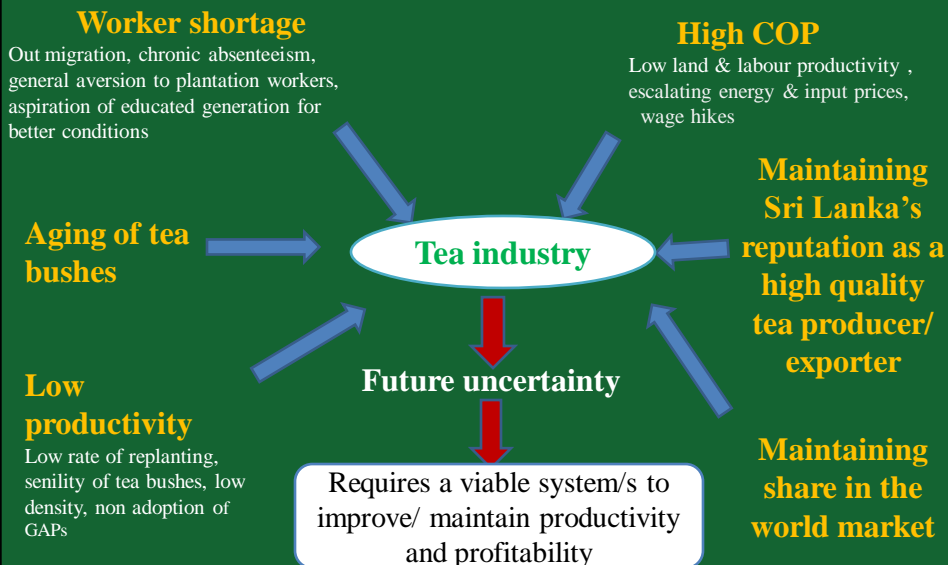


Viability Alternative Worker Deployment Models

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Challenges Facing Tea Plantations



What is Out Grower & Contract Farming

Out Grower System

A scheme that provides production & marketing services to farmers on their own land.

Contract Farming

A system whereby a private sector, with processing facility purchases the harvests of individual workers to whom plots of land in the estate are leased out.



What is Out Grower and Contract Farming

Allocating risk



Existing Worker Deployment Models

- **Traditional estate model** – Employ estate workers
- **Contract works to estate workers**
- **Leasing out land to estate workers** (with input supply) - *Worker co-operatives*
- **Complete leasing out land to estate workers**
- **Out grower with contract**
- **Complete out grower system**




Benefits to Worker Family

- Increase family income & reduce poverty
- Obtain inputs on credit & free technical assistance
- Encourage the community to take over the responsibility of developing & managing tea land.
- Improve quality of life -acquiring status & dignity of being a lessee of the land.
- Create flexible working arrangements




Benefits to Estate

- Achieve a higher level of production & productivity.
- Reduce COP 
- Achieve higher profitability per unit land & worker
- Reduce the expenses entitled through the collective agreement.
- Enabling the company to improve workers living conditions.



Benefits to Estate cont..

- **Minimize** encroachment problem of the estate.
- Minimize the burden of maintaining uneconomical tea lands.
- Efficient utilization of currently under-utilized area
- Reduce bad impacts on agricultural practices due to worker scarcity.
- **Minimize impact of worker wage increase** 



Expected Direct Benefits to Estate (Rs/ha/yr)

Expected benefits

Saving maintenance cost : 2,22,690

Gain from purchasing bought leaf : 30,690

Royalty fees : 65,500

- Assuming 1200 kg/ha/yr yielding tea field
- Profit margin from bought leaf : Rs.5/kg of green leaf



Proposed Terms & Conditions

1. Estate worker families on the payroll should be given first preference.
2. Land to be allocated on long lease terms.
3. Other than tea, no crops can be cultivated on land.
4. Construction of buildings will not be permitted.
5. Workers should be provided with a minimum number of days of work per month .
6. Estates should provide free technical knowledge & material supplies on a cost recovery basis.



Proposed Terms & Conditions

7. Green leaf should be purchased by the estate.
8. Price should be based on Tea Commissioner's formula.
9. Royalty fee for the land ownership can be deducted.
10. All accounts pertaining to each individual should be maintained
11. Adequate no. of bushes should be allocated (5,000 to 6,000 tea bushes)



Estates Selection Criteria

Degree of worker scarcity

Land availability

Field productivity

Level of cooperation from the estate management



Elements of Out Grower Model

- 1.Criteria for selection of growers
- 2.Registration of growers & maintenance of individual records
- 3.Sigining contract/agreement
- 4.Input supply & loan facilities
- 5.Extension services
- 6.Marketing arrangements
- 7.Pricing mechanisms
- 8.Payment modalities
- 9.Group development facilitation



Out Grower System –A Pilot Study at Selagama Estate, Matale

- Average productivity: 951 kg/ha/year
- Labour force: 140
- Land Labour Ratio: 1.26
- Sample size: 29 progressive registered workers
- Number of bushes allocated/ family: 4000 - 5000
- Improvement of Productivity: 21.19 %
- Additional family income: Rs.3470/month



Leasing out Land to Estate Workers Case Study at Endane Estate, Ratnapura

- Average productivity: 1057 kg/ha/year
- Labour force: 764
- Land Labour Ratio: 1.81
- Extent: 209.30 ha (57% of total extent)
- Number of bushes allocated/ family: 600 – 2200

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Leasing out Land to Estate Workers Case Study at Endane Estate, Ratnapura

Benefits to worker:

- Average kilos per month: 100 -350 kg of Green leaf
- Additional monthly earnings: Rs. 4,300 – 15,000

Benefits to estate:

- Crop harvested: 217,373 kgs (57 % of total)
- Gain per kg: Rs. 40
- Total gain to the estate: Rs. 8,694,920



Risks & Limitations Associated with Out Grower & Contract Farming

- Risk attached with land ownership
- Low quality of green leaf because payments are made on kilo basis
- Violation of conditions in the agreement
- Conflicts between out growers and other workers
- Need well motivated, knowledgeable & qualified field staff
- Less work for registered workers
- Reduce social activities due to lack of leisure time



Factors to Be Considered for a Sustainable Out Grower & Contract Farming

- All the stakeholders should aware and understand the benefits, necessities and responsibilities to accept the system.
- Building up a strong relationship between the estate & out growers and developing confidence among them.
- Proper supervision
- Additional income should exceed the cost of family labour



**Thank you for your
attention**



Productivity & COP

Productivity	COP (Rs/Kg)	Difference (RS/Kg)
1000	491.72	-
10% increase	473.26	18.46
20%	457.23	34.49
30%	434.64	57.08
40%	423.80	67.92
50%	415.43	76.28
60%	407.44	84.27
70%	398.88	92.84
80%	392.32	99.39



Impact of Wage Increase on COP

	Wage increase (Rs/day)	Total COP (Rs/kg)	Increase (Rs/kg)	Increase as %	Labour as % of total cost	Plucking cost as % of total COP
Before wage revision	-	375.90	-	-	63.36	41.47
After wage revision	115 (20%)	423.80	46.90	12.48	67.5	43.18

Productivity - 1400kg/ha/year

