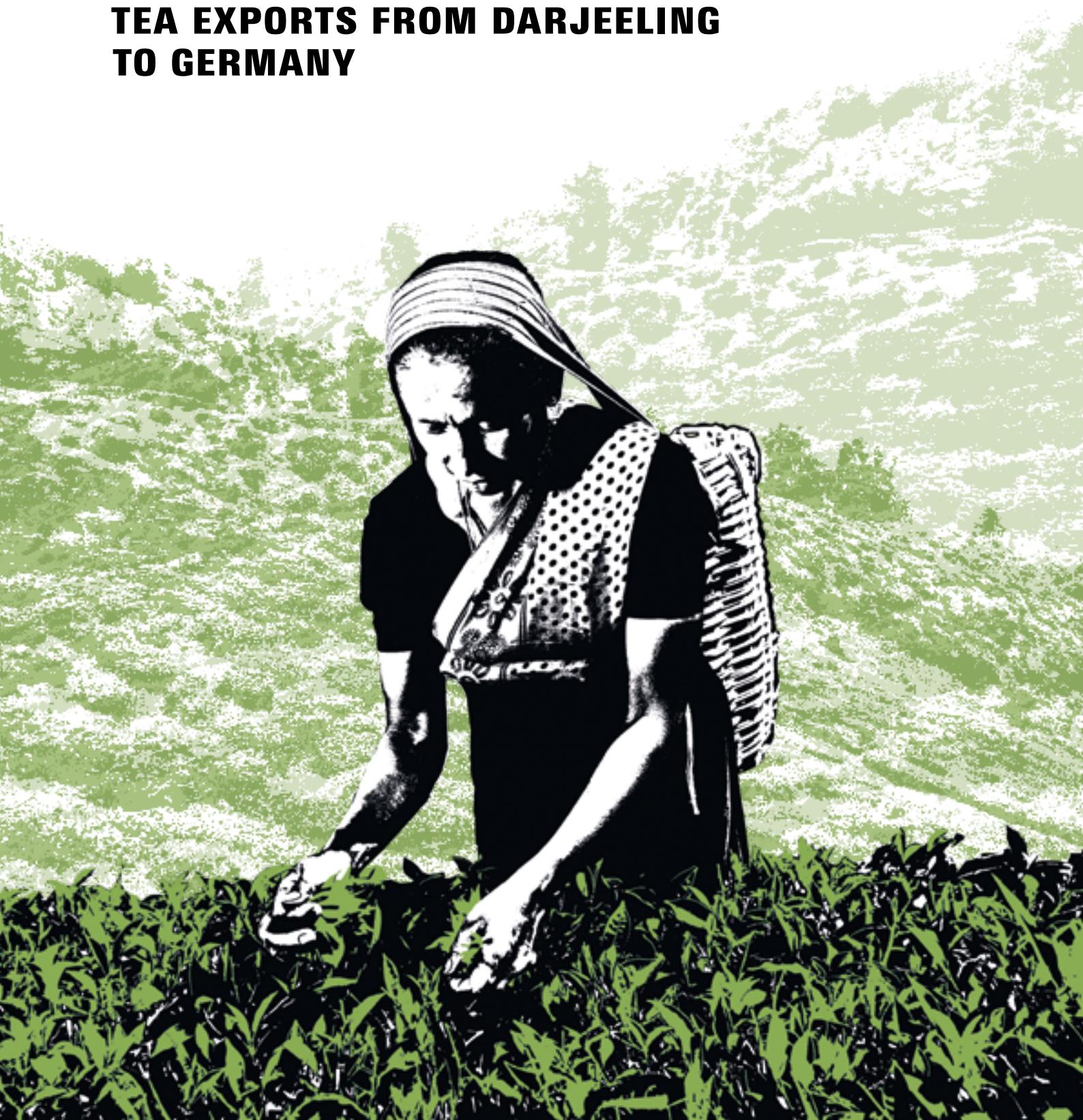


Fine Teas for Starvation Wages

**TEA EXPORTS FROM DARJEELING
TO GERMANY**



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Summary of Key Points

German importers are of central importance for tea producers in Darjeeling in the state of West Bengal, northern India. Companies such as the Ostfriesische Tee Gesellschaft (OTG), Teekampagne, TeeGschwendner, and others purchase roughly a quarter of the region's yearly tea output. In addition, they are the most important buyers of the early tea harvests (first flush and second flush), which command the highest prices. Hamburg is Europe's central shipping terminal for tea, with almost half of all tea imports into Germany re-exported out of Germany at a high price.

The **price margins** along the tea supply chain from Darjeeling to Germany are extremely disparate. A calculation by a German tea importer in the top price bracket (market segment A) for loose-leaf tea shows that only around 30 percent of the shelf price remains in India, with a maximum of 22 percent making it to the company that operates the plantation. The tea pluckers¹ receive the equivalent of between 1.4 percent and 2.8 percent of the tea's retail price in Germany. In the second of the two market segments, trade via auction in Kolkata (market segment B), it is even worse. Approximately 14 percent of the shop price in Germany makes it to India, with a maximum of 10 percent going to the plantation operators and, in turn, around 2 percent going to the tea pluckers. One positive exception is Teekampagne's business model, in which over 50 percent of the ultimate retail price goes to producers. But despite direct relationships with suppliers, even Teekampagne has no mechanism that ensures an improvement in the tea pluckers' financial incomes.

The price pressure exerted by German tea importers is exacerbating the crisis currently being experienced by the tea sector in Darjeeling. For most of the year, production costs are not covered, and producers receive too little money for the premium tea obtained from the first two harvests of the year (first flush and second flush). Of particular concern is how the low prices affect the tea pluckers and their families. Currently, pluckers receive a wage equivalent to 2.25 euros a day (176 Indian rupees); however, they only receive this if they fulfil the piece-rate targets set by the management. In addition, they must cover a considerable part of the cost of their tools and work gear themselves. The wages paid on tea plantations in Darjeeling are considerably lower than those paid on tea plantations in southern India. An Indian governmental commission has calculated that they would need to be almost doubled in order to match basic living standard requirements.

Alongside the extremely low wages, there are also the **poor working and living conditions** that exist on the plantations. For this study, group interviews were conducted with workers on the Pandam, Phuguri, Kalej Valley and

Monteviot plantations, three of which are certified by the Rainforest Alliance and two by Fairtrade. All four plantations supply German tea traders such as TeeGschwendner, Teekampagne, Hälssen & Lyon, or Dethlefsen & Balk.

The research on these four plantations shows that benefits in fundamental areas of social provision are either provided only insufficiently (healthcare, childcare) or not provided at all (social support in cases of unemployment or disability). Moreover, a direct consequence of the inadequate wages is the insufficient diet of many families on the plantations. The workers on all four plantations are dependent on state subsidies for basic foodstuffs and attempt to grow supplementary fruit and vegetables for their own use. Women are solely responsible for the hard work of plucking, weeding, and cutting crops. Positions in management, supervision, and in the factories are occupied by men. The lack of sheltered toilets or assistance in cases of pregnancy for the female pluckers is particularly problematic. Some families do not have appropriate access to drinking water, and there is a lack of access to drinking water in the workplace. Sanitary facilities in Kalej Valley in particular are extremely poor. On all the plantations visited there was accommodation that could not be considered 'permanent housing' (i.e. houses with walls made of stone and cement) and had holes in the walls. In addition, households often did not have enough money for firewood or oil for lighting.

The practice of undercutting the minimum wage as well as the standard of working conditions mean that both national Indian law and the standards set out by Fairtrade and the Rainforest Alliance are being violated. On only one of the four plantations were interviewed workers aware of the functions and effects of Fairtrade and the Rainforest Alliance. Glaring **violations of human rights on tea plantations** were observed in two forms in particular:

→ On the Kalej Valley plantation, the company Alchemist has paid no wages since the end of 2016. Workers went on a hunger strike. Through not being paid wages for months, people's right to an adequate income and adequate food has been severely violated. Kalej Valley is only one of Alchemist's three plantations. In total, 2,500 families were affected by the withholding of wages. German importers such as TeeGschwendner quietly suspended imports from Kalej Valley rather than actively advocating for the 2,500 families. Kalej Valley

.....
1 It is exclusively women who pluck tea on Darjeeling plantations, while other positions such as supervision, plantation maintenance, or processing (which are often better paid) are predominantly held by men. Thus, the term "tea pluckers" refers exclusively to the women who pick the tea, whereas when all tea plantation workers are being referred to, the term "workers" will be used.

is an extreme case but not an isolated one. Plantation operators consistently fail to pay pluckers their full wages, often for months at a time—at least, that was the case on an estimated half of Darjeeling plantations in February 2019.

- On the Pandam, Phuguri, and Monteviot plantations, the situation is particularly precarious for households who are unable to earn additional income outside the plantations. In interviews with pluckers on the Pandam plantation, for example, it was clear that households which cannot earn additional income must drastically reduce their food consumption and are thus more exposed to the risk of malnutrition. The Pandam plantation supplies German companies such as Hamburger Teespeicher and Hälssen & Lyon.

Overall, the research shows that tea production for export to Germany does not contribute to overcoming poverty and impoverished conditions on the plantations. As is the case on many plantations worldwide, the employment relationships on tea plantations in Darjeeling **resemble those under colonialism**. They are characterized firstly by the social distance between management and pluckers; secondly by the disciplining of workers through existential dependencies regarding access to basic food supplies, drinking water, housing, medical care, and education; and thirdly through strenuous piecework. Consequently, what occurs on the plantations is not a complete form of capitalist wage employment, in which the pluckers operate in a “free” labour market, but rather social relations between plantation companies and pluckers which are determined by total existential dependency. Voluntary sustainability standards such as those of Fairtrade and the Rainforest Alliance are insufficient to break up these relationships of dependency. They merely prescribe a set of management practices, failing to put the relationships of dependency themselves into question.

In order to improve the living and working conditions of workers in the tea sector, a number of other **measures** are necessary (these are laid out in more detail in Chapter Six):

- The **German federal government** should adopt a national supply chain law that guarantees human rights and establishes a due diligence duty for transnational companies based in Germany. In risk sectors such as the tea plantation sector, such a law should also extend

this duty to medium-sized businesses from Germany. Similarly, the German government should advocate for a strong and binding UN treaty on business and human rights that also requires similar practices of tea importers from other countries. In addition, the government should monitor compliance with the origin labelling agreement regarding Darjeeling tea and ensure that tea products labelled “Darjeeling” consist entirely of tea coming from the Darjeeling region.

- The **state government of West Bengal and the Indian government** need to enforce compliance with the Plantation Labour Act and take action against violations. Furthermore, they should use the various options at their disposal to strengthen the tea sector in Darjeeling: aligning the minimum wage in the West Bengal tea sector with that paid in southern India; updating the system of bonus payments to pluckers on plantations that produce high-value tea; the development of a tea plantation establishment law that formulates binding rules on how tea plantations must be managed; working towards the implementation of a floor price for tea together with the other major tea-exporting countries (China, Kenya, and Sri Lanka) as well as stronger public investment in education and the manufacturing industry in the Darjeeling region, in order to offer young people on plantations alternatives to the tea business.
- **German tea importers** should act, regardless of whether the necessary legal regulations are in place: firstly, they must pay producers a price that corresponds to the quality of Darjeeling tea. Teekampagne is a positive example in this regard. Secondly, German tea importers have a responsibility to exercise their influence and ensure that a living wage is paid on Darjeeling plantations. As long as this remains uncodified by law, they should work in dialogue with Indian tea producers and unions to ensure that the income of plantation workers is significantly increased. This could occur through the updating and increasing of the existing bonus system, wherein plantation workers are awarded bonus payments at the end of the year (depending on the quality standard of the plantation from grade A to D). Thirdly, German tea importers have a due diligence duty to ensure human rights and workers’ rights on the plantations they source their tea from are not violated.

1 Approach and Methodology

This study analyses the tea supply chain from the production region of Darjeeling in West Bengal, India, to the target market in Germany, with a particular focus on the living and working conditions of tea pluckers.² The investigation is oriented to the classic global supply chains approach, formulated by Gary Gereffi and colleagues in the mid-1990s (Gereffi et al. 1994).³ Analyses of global supply chains follow the journey of a commodity from production stage through its processing and trade to its end use. In the sense of Gereffi's sociological research interest, this perspective enables an overview of the entirety of the production and marketing system, including its social relations. Central to Gereffi and his colleagues' pioneering investigations was the notion that global supply chains are essentially regulated by powerful corporations operating within the supply chain itself (ibid.).

The analysis of global supply chains with the goal of supporting the organisation of workers and their networks along them has been a key focus of the Rosa-Luxemburg-Stiftung since 2015 (Kron 2017: 22 f.). This involves not only analysing the economic relationships between producers and companies along the supply chain. It also aims at making workers struggles along supply chains visible, and connecting them with one another (ibid.).

This analysis is concerned with the question of how corporations use their positions of power to grab the largest amount of added value generated along the supply chain. This is closely connected to an analysis of the inverse situation; that is, how poverty and the impoverishment of workers is perpetuated along the supply chain and how conflicts between actors involved in the chain are dealt with (see Selwyn 2019 as well as Neilson/Pritchard 2009). In addition, the working and living conditions on the plantations are considered from a human rights perspective and the effects of private sustainability standards are evaluated in this context.

The study is based on research and interviews conducted over a longer time period. Over two two-week periods—in August and September 2016 and in June 2017—the author carried out research on location in Darjeeling. In the first research period, six group interviews with workers from four plantations were conducted. In the second research period, 15 individual interviews were conducted; five with union representatives, four with tea producer representatives, three with tea traders (from both India and Germany) and three with external actors (see Appendix).

The experiences of journalists who conducted earlier investigations as well as the experience of the author during his first on-site visit in 2016 made clear that carrying out research on Darjeeling plantations can lead to

conflict. For this reason, the author visited the plantations unannounced. Initially, only conversations with individual workers took place. In order to verify their statements, a second phase of conversations then took place with larger groups. In some cases, a lack of transparency made the author dependent on information from the first interviews. In these instances, key statements (such as quantitative estimates) were verified through further interviews. All interview participants were free to choose whether they were identified by name or remain anonymous, with workers and some of the managers preferring to remain anonymous. Previously in the region, workers had lost their jobs after going public, for example after the airing of the ARD radio feature "Fairgiftet" in 2015.⁴ Crucial findings from 2016 and 2017 were again updated and verified in the months before publication in 2019.

**This study analyses
the tea supply chain between
the production region
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on the living and working conditions
of women tea pluckers.**

² See footnote 1.

³ This study deliberately uses the term "supply chain", since the term "value chain" suggests the creation of additional value through activities such as design and branding, without the product undergoing physical change.

⁴ Further information on this can be found at: www.ard.de/home/radio/Fair_Giftet/1422056/index.html. The title of the feature is a play on the German word 'vergiftet' (poisoned).

2 Tea Around the World—an Overview

Tea—and not coffee—is the most consumed commercial beverage in the world by volume. Almost 5.7 million tonnes of tea were harvested worldwide in 2017, and approximately 4.5 billion cups consumed (Deutscher Teeverband, 2018, p. 11). The tea plant (*Camellia sinensis*) requires specific climate conditions and its cultivation is therefore restricted to a few areas. It thrives in warm, humid, tropical or subtropical climates and primarily grows at altitude and on hillsides. 80 percent of tea worldwide is grown in only five countries: the two tea giants China (2.55 million tonnes) and India (1.28 million tonnes) as well as Kenya (440,000 tonnes), Sri Lanka (307,000 tonnes), and Indonesia (125,000 tonnes) (ibid.). Four of these countries—Kenya, China, Sri Lanka, and India—are also the largest exporters of tea, by quite some margin.

Tea enjoys enormous popularity almost everywhere in the world. The consumption of tea is just as prevalent in Russia as it is in the Middle East, China, or Western Europe. According to 2013 estimates by market analysis company Euromonitor, the tea trade is worth over USD 40 billion a year worldwide (Ellis et al. 2015, p. 267). In addition, recent years have seen a major increase in the consumption of two types of tea-like beverages, iced tea and herbal tea. Accelerated climate change will likely have a large impact on the availability of the specific cultivation conditions required by *Camellia sinensis*. Nevertheless, the UN Food and Agriculture Organization (FAO) calculates that the production of black tea will increase by an average of three percent per year up to 2023 (FAO 2015, p. 8 ff.).

A short history of the tea market—restructuring and corporate power

Historically, tea traders belonged to the largest colonial trading companies. In the second half of the 17th century, Great Britain was still a coffee-consuming country, but at the beginning of the 18th century, tea supplanted coffee as the main beverage of the British Isles. Central to this shift was the fact that the monopoly on the tea trade with China enjoyed by the East India Company generated much greater profits than coffee exports from Latin America. In the 19th century, tea and sugar constituted a key energy source for the growing British industrial working class (Mintz 1985, p. 110 ff.), but the dependence on Chinese imports was becoming an increasing problem for the British. This led, on the one hand, to a violent forced opening of the Chinese market as part of the Opium Wars between the 1830s and 1860s. In addition, this also resulted in the British having large quantities of tea planted in northern India, namely





**As in most regions of the world,
in Darjeeling tea is picked
mostly by women.**

Assam and West Bengal. Through the course of the 19th century, the British colonial regime also established tea plantations in southern India, Sri Lanka, and eastern Africa (Besky, 2014, p. 5 f.).

In the course of the 20th century, the classic family-based business model in the tea industry was taken over by corporations. They recognized that in an age of mass consumption, substantial profits could be made through the blending and packing of tea. The names of the traditional trading companies became brands, with three large tea trade empires emerging that continue to dominate the market today: Unilever, Associated British Foods, and Tata Group. In 1972, Unilever took over the British Lipton company. In 1968, the well-known tea brand Brook Bond merged with Liebig and was then purchased by Unilever in 1984. Twinings Crossfield was acquired by Associated British Foods in 1964. Tetleys was first taken over by British firm Allied Breweries in the 1960s and then bought by the Indian Tata Group (Ellis et al., 2015, p. 268 ff.). A market analysis by the United Nations Conference on Trade and Development (UNCTAD) in the mid-1970s had already come to the conclusion that in 11 of the 20 most important tea-importing countries, the four largest tea traders dominated at least 80 percent of the market (cited in Neilson/Pritchard, 2009, p. 15).

Two central developments cemented the market power of the tea-trading corporations in the second half of the 20th century: firstly, the supplanting of loose-leaf tea by the tea bag around the world, particularly from the 1980s onwards. Alongside the tea bag, a new process emerged for tea processing called CTC (crush, tear, curl). In this process, the dried tea leaves are ground, through which their flavour passes more quickly into water. This allows tea blenders to use a lower quality of tea and makes it easier to process tea in large quantities in a standardised way. This in turn leads to a weakening of the primary producers' position vis-à-vis tea blenders (Luig, 2015).

A second key development was the regulation⁵ of supply chains increasingly shifting from the hands of state actors to corporations as governments withdrew from the tea sector. The times when the trade of tropical commodities went partly through state marketing boards and minimum prices were set for teas of various qualities (as in the 1960s) are long gone. At the beginning of the 1930s there was even an attempt to implement an international agreement on tea production volumes (Gupta 2008). Between the 1950s and 1990s, the relative world market price for tropical agricultural commodities in relation to products commonly traded worldwide (in other words, the terms

⁵ The term "regulation" is used in a broad sense here, encompassing both legal regulation by the state as well as the stipulation of conditions for the production and trade of tea through firms dominant in the market, which will be expanded upon in Chapter Four.

of trade) fell by half, a fall that also affected tea (Ocampo/Parra-Lancourt, 2010, p. 20). Prices only stabilised at the beginning of the 2000s.

In the 21st century, a small number of brands dominate the tea trade. In 2008, the Dutch NGO SOMO calculated that seven trading companies control 90 percent of tea traded in Western consumption markets (Van der Wal,

2008). In the United Kingdom, three corporations control the market: Unilever, Tata Group, and Associated British Foods. In Germany, two companies (Teekanne and Ostfriesische Tee Gesellschaft) share 40 percent of the market (CBI 2015). Their buying power enables them to regulate the tea supply chains; through mandated product standards in particular, they are able to dictate how producers cultivate their tea in great detail.

Complete dependency—life on the plantations

Although corporate restructuring has drastically altered tea trade in the past few decades, the mode of tea production remains strikingly similar to what it was previously. As with other tropical products such as sugar or bananas, tea production—except in China—largely continues to take place on plantations. The working and living conditions of tea pluckers and their families must be understood in the context of the plantation as a social system. The plantation is a product of colonialism. Just as on the Caribbean sugar plantations or the cotton fields of the Southern states in the US, the British colonial government brought migrant labour (in this case Nepalese Gorkhas) to West Bengal to set up tea plantations. The indigenous Lepcha primarily lived from hunting and gathering in the forests and showed little interest in doing the hard labour required on the plantations (Koehler 2015, p. 66 ff.). The combination of social distance between the Gorkha and local population as well as the geographically-isolated nature of many of the plantations made it easy for the British to exploit workers on the plantations (Bhowmik, 2015). What Bhowmik has depicted as occurring in Assam was also the case in Darjeeling: in the 19th century, the wages on tea plantations were not only four times lower than for textile workers in Mumbai, but also considerably lower than those in the agricultural sector in neighbouring regions (Bhowmik, 1980, p. 1525). While externally the tea plantations functioned according to the principle of supply and demand in a market economy, internally they were ruled by coercion, paternalism, and social hierarchies of class and ethnicity. While decolonisation did transform social relations on the plantation to a certain degree, the realities of working and living on them remain shaped by their colonial past. With the Plantations Labour Act of 1951, the postcolonial Indian government defined the rights of

plantation workers in great detail. Bonded labour or the prohibition of trade union organising no longer takes place in the tea regions of northeast India. However, plantation workers are still dependent on plantation owners. In many postcolonial plantation systems, the quality of housing, access to schooling, medical care, or even the provision of food depend on management. Workers are disciplined through a piece-rate wage system. Moreover, the fact that managers and workers often belong to different ethnic groups leads to a pronounced social distance. Broadly speaking, almost no direct communication takes place between workers and management. Still today there is almost no correlation between the productivity of a plantation and the wages it pays workers: higher turnover for a plantation does not, per se, lead to an increase in wages.

Although corporate restructuring has drastically altered the tea trade in the past few decades, the mode of tea production remains strikingly similar. As with other tropical commodities such as sugar or bananas, tea production—with the exception of China—continues to largely take place on plantations.

3 The Supply Chain from Darjeeling to Germany

Taking stock—the tea trade in Germany

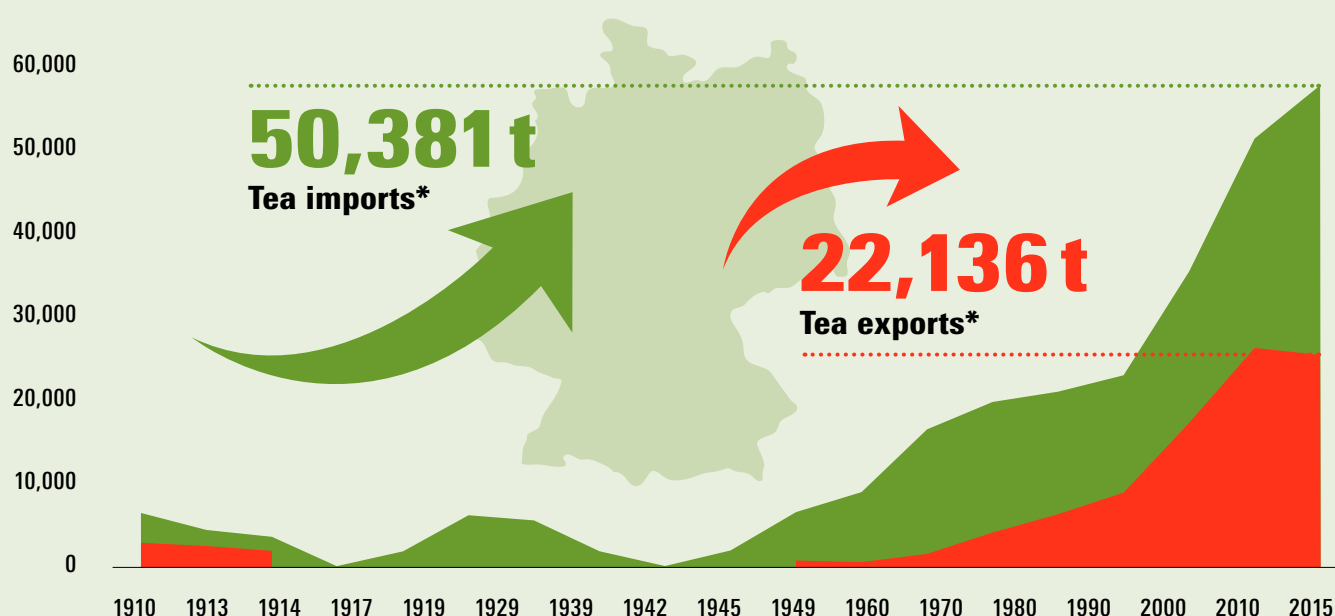
Germany, and Hamburg in particular, is a key transfer site for the global tea trade, with the city often called the tea capital of Europe. Half of all tea traded in Europe is handled here, which in 2015 amounted to around 200,000 tonnes (Die Welt, 2017). Since the 1990s, the German tea business has discovered the re-export of blended tea. Since then, not only have imports markedly increased, but exports have also reached new heights. In 2018, Germany imported 50,381 tonnes of tea, with almost half (22,136 tonnes) re-exported (Deutscher Teeverband, 2019, p. 2) (fig. 1). Key destination countries for the re-exported tea are neighbouring European countries like Poland, France, and the Netherlands, as well as Russia, Canada, and the US. The most important country of origin for tea imports to Germany is India (fig. 2). In total, more than a quarter of tea imported into Germany in 2018 (13,752 tonnes) came from the Assam, Darjeeling, Dooars, and Nilgiri regions (Deutscher Teeverband, 2019, p. 2).

A striking aspect of the German market is the significance of loose-leaf tea in contrast to the tea bag, which

otherwise dominates the international market. Sixty percent of tea drunk in Germany is consumed in loose-leaf form, whether as green tea (unfermented), Oolong tea (partly fermented), or black tea (completely fermented) (Deutscher Teeverband, 2017). Specialty teas, meaning tea that is of particular quality due to its origin and method of manufacture, play a key role in the German market and in terms of re-exports. This is also true of tea from Darjeeling, which is often called the “champagne of tea”. According to Joost Pierrot, tea expert from Dutch agency CBI, Germany is the most important entry point for the European market in terms of specialty teas (CBI, 2015).

As in other Western European countries, sales through the major **supermarkets and discount retailers** dominate the tea trade in Germany (see fig. 3). The market dominance of the two tea companies Ostfriesische Tee Gesellschaft (OTG) and Teekanne is closely tied to their presence in the major supermarkets and discounters. Laurens Spethmann Holding (owned by OTG) fills 10 billion tea bags a year, achieving a turnover of EUR 460 million in 2015, while

Figure 1: The development of the import and export of tea in Germany (in tonnes)



* Imports and exports from the year 2018. Source: Deutscher Teeverband, 2017 and 2019, own illustration

Figure 2: Origin of tea imported to Germany in 2018

50,381 t
Total tea imports

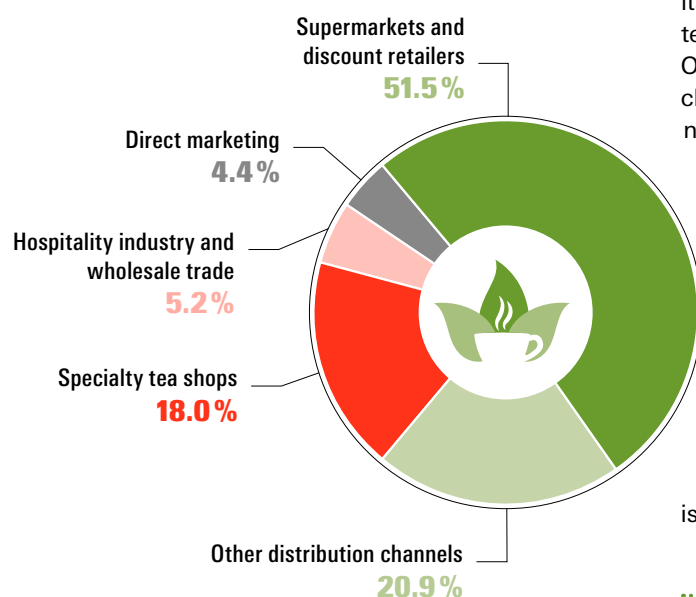
Other
10.56 %

South America
(Argentina and Brazil)
4.09 %

Teekanne produces 12 billion tea bags a year (Handelsblatt, 2016). Both companies command major shares of the market: in 2014, Teekanne products represented 20 percent of tea sales in the sector, while OTG brand Meißner

was responsible for 18 percent of turnover (CBI, 2015). OTG was also responsible for originally creating the brands Westcliff and Westminster (which had a combined market share of 7.5 percent in 2014), which were later sold on to ALDI (ibid.).

Figure 3: Market shares of various tea distribution channels in Germany in 2017

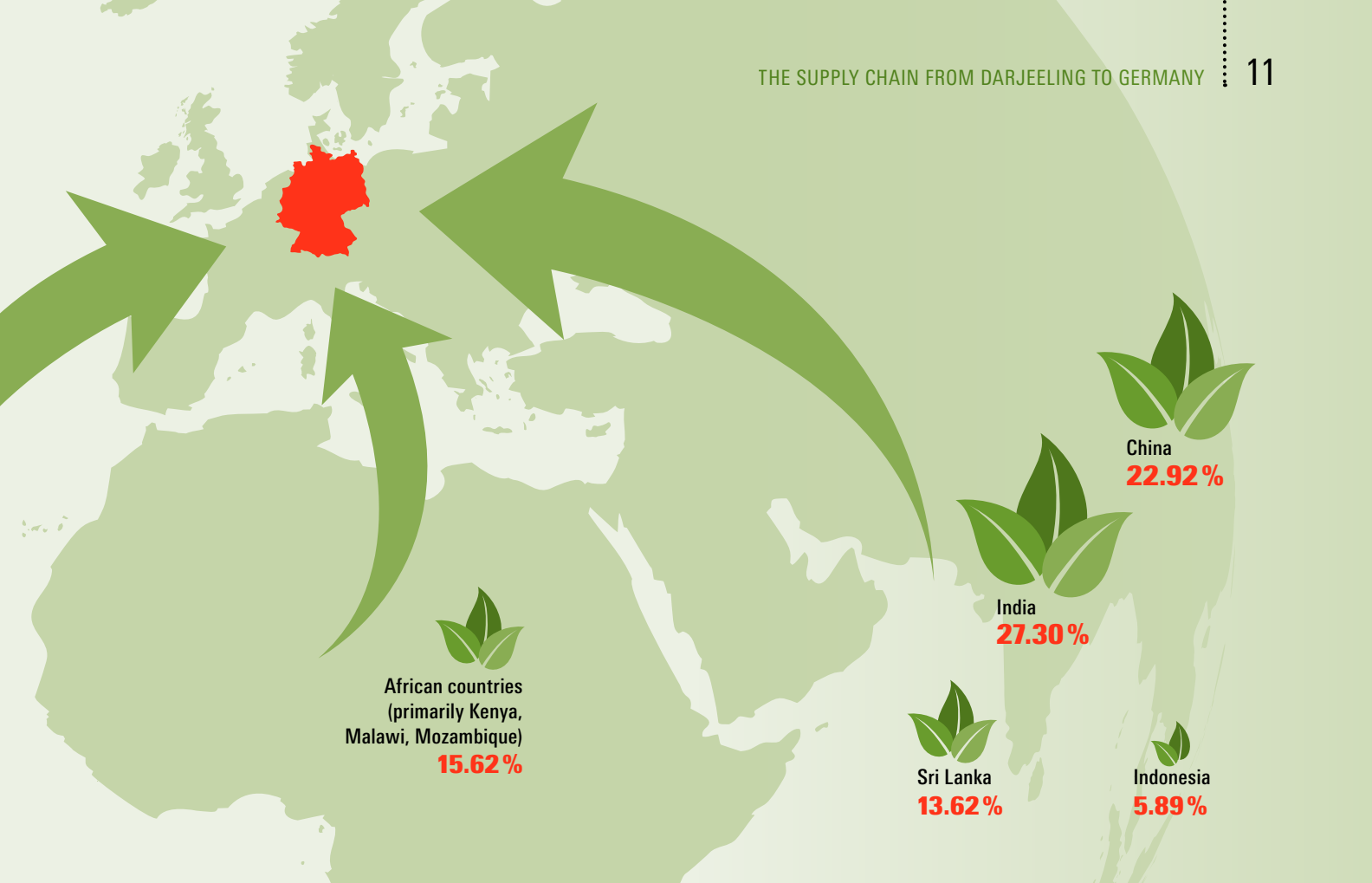


Source: Deutscher Teeverband, 2018, own illustration

Specialty tea shops have an exceptionally high share of the market in Germany (18 percent), with TeeGschwendner being the key player in this market. The company describes itself on its website as the “undisputed market leader” in tea retailing and mentions its over 125 franchise stores.⁶ Other tea blenders such as Ronnefeldt evidently work closely with a number of other tea shops and are prominently displayed on their websites. The majority of tea importers and blenders such as Hälssen & Lyon take the approach of importing their tea (mostly) through Hamburg and selling them on to larger beverage companies or private label clients such as hotel chains both in Germany and internationally.

Alongside other distribution channels such as Arabic and Turkish tea shops (20.9 percent) and the hospitality industry (5.2 percent), a portion of tea in Germany is sold via **direct marketing** (4.4 percent). This may not play a large role in terms of volume, but is central in terms of imports from Darjeeling. There are

⁶ TeeGschwendner's internet presence can be found at www.teegschwendner.de/franchise/.



Source: Deutscher Teeverband, 2019; own illustration

a large number of small businesses that directly market Darjeeling tea online, including vendors such as Teaworld or Teeexpress. Teekampagne plays a special role in direct sales. Founded by Günter Faltin in 1985, Teekampagne's business model has long been based on exclusively

importing Darjeeling tea and marketing it directly, cutting out intermediaries in the process. In Germany, Teekampagne reaches around 170,000 consumers, and since 2017 has also been offering Assam tea as part of its product range.

Actors along the supply chain

Darjeeling is a relatively small and geographically-isolated region in the north of the state of West Bengal in India. Nestled at the feet of the Himalayas at an altitude of 1500 to 2000 metres above sea level, the region is bordered by Nepal to the west, Bhutan to the east, and Tibet to the north. In total, 87 plantations produce tea across an area of 19,500 hectares, and an estimated 55,000 workers, primarily pluckers, live and work on the plantations. Between March and November their number is swelled by an additional 18,000 seasonal workers (Koehler, 2015, p. 156). According to information from the Tea Board of India, around nine million kilogrammes of tea are produced in Darjeeling each year (interview 14).⁷ The region is famous for the high quality of its relatively mild black tea, which unlike the stronger Assam is drunk without milk. The majority of plantation operators have adapted production to the demand for organic tea that has arisen in recent years and no longer use pesticides. According to Teekampagne, organic tea comprises around 70 percent of tea production in Darjeeling (Teeka-

mpagne, 2018, p. 4). All interviews with Indian producers confirmed that German importers are the most important buyers of tea from Darjeeling (interviews 6, 7, 8, and 9). Indian producers described Teekampagne, Ostfriesische Tee Gesellschaft, TeeGschwendner, and Teekanne as the four most important companies (see figure 4). Importers such as Dethlefsen & Balk, Hälssen & Lyon, or Ronnefeldt also play an important role, however. The yearly harvest phases are divided into first flush (end of February to April), second flush (May and June), monsoon flush (July to September), and autumn flush (October and November). Harvests from the first and second flushes obtain particularly high prices on the market. According to all producers interviewed, it is particularly here that German importers are the most important customers.

⁷ This estimate was confirmed through interviews 6 and 13 and refers to normal production years, not to the 2017–18 harvests.

It is an open secret that the amount of tea that officially leaves India as Darjeeling tea is considerably higher than what the yearly harvests from Darjeeling produce. A representative of the Tea Board of India estimates that 14,000 to 15,000 tonnes of tea declared “Darjeeling tea” leaves the ports of Kolkata per year (interview 14). In the years before the 2017 strike,⁸ the actual harvest yield in Darjeeling was around 9,000 tonnes. A number of interview participants estimated that between a quarter and a third of the yearly harvest is shipped to Germany, with the four large German importers buying around 900 tonnes per year on average. Only Teekampagne has made their import volume public (Teekampagne, 2018).

The overwhelming majority of the 87 **plantations** in Darjeeling are operated by eight companies. These companies are mostly family businesses, but they clearly fall into two different categories. There are companies whose core business is tea production in Darjeeling, such as the Chamong group, and then large family-owned companies whose core business lies in other sectors and for whom tea production in Darjeeling is an additional source of income. One such example is Jayshree, which, besides its 22 plantations in India, has invested in tea planting in East Africa and also produces sugar and chemical fertilizer.

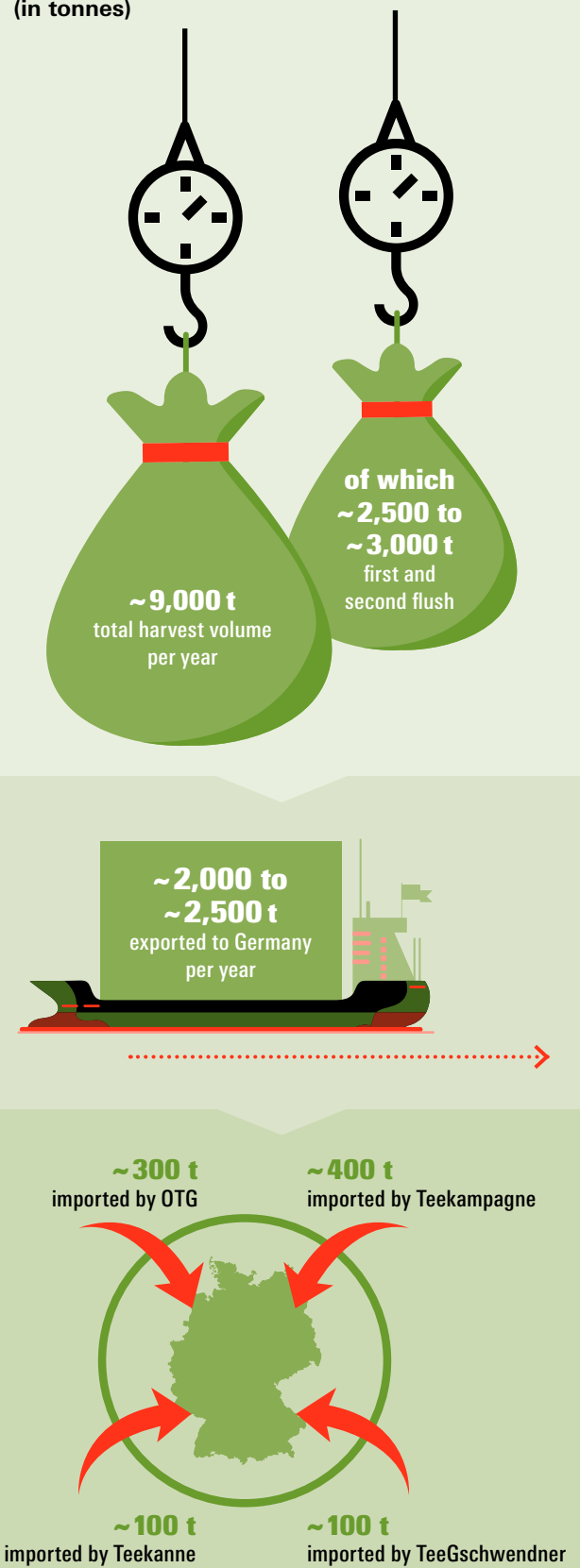
After it has first been harvested, weighed, and registered, the tea is then **processed** directly on-site, an essential part of the creation of added value. Either the processing factories are on the plantation grounds themselves or the tea is transported to a factory nearby. Firstly, the leaves are wilted, removing 30 percent of their moisture content. Then they are rolled; this entails breaking them down with rollers, after which the cell sap that emerges reacts with oxygen, turning the leaves a dark green colour. The third step in the manufacture of black tea is fermentation: the leaves are laid out for two to three hours to oxidise, which turns them into a copper-red colour; this is also how black tea gains its aroma. Finally, the tea is sifted, sorted, and packaged. In industry jargon this tea, processed through the rolling procedure, is known as orthodox tea.

After it has first been harvested, weighed, and registered, the tea is then processed directly on-site, an essential part of the creation of added value.



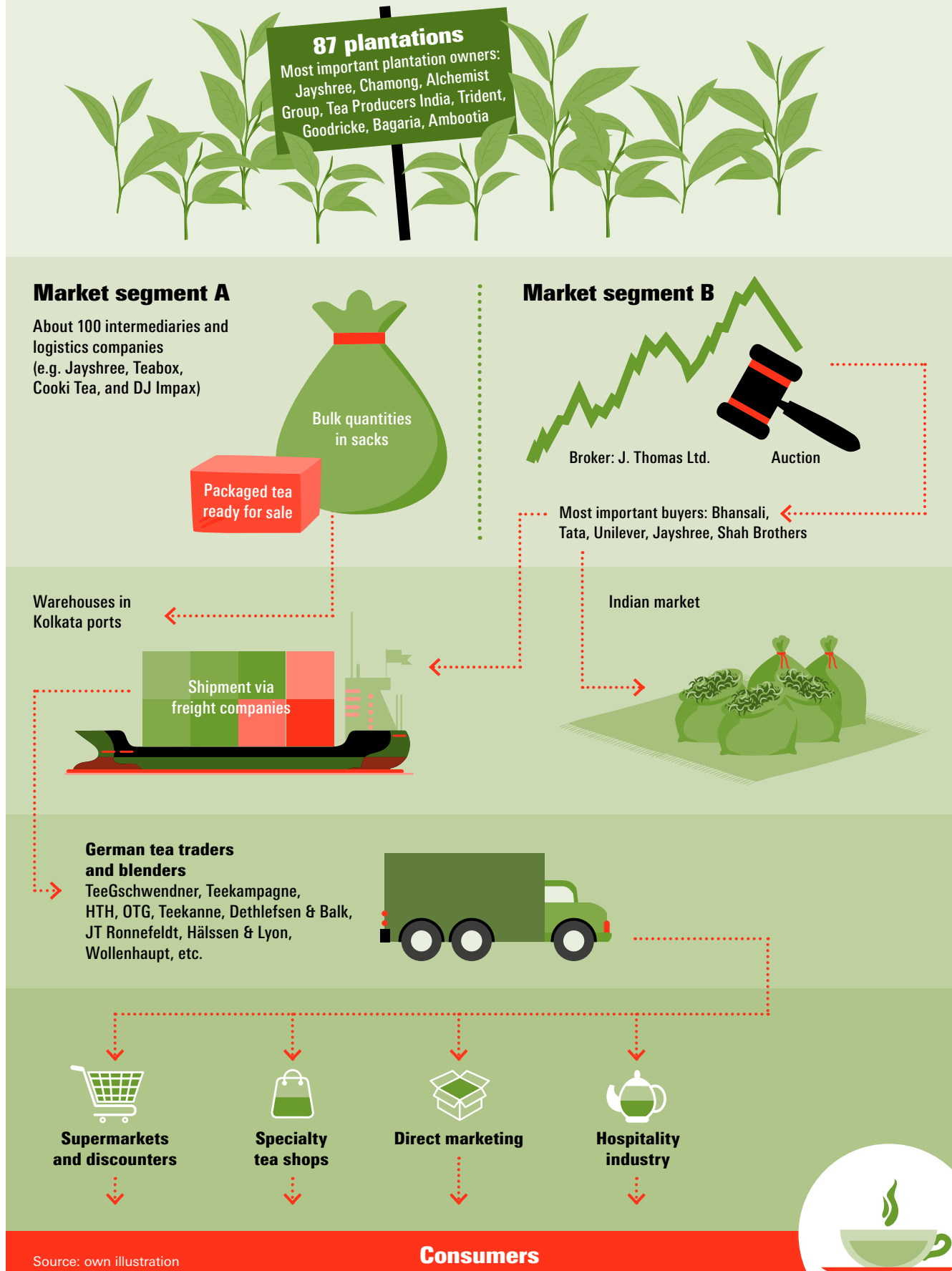
⁸ On the strike see Chapter Four.

Figure 4: Estimated average harvest and export volumes in Darjeeling (in tonnes)



Source: compiled by the author, based on interviews 6, 7, 8, 9, 10, 12, 13, and 14

Figure 5: The tea supply chain from Darjeeling to Germany



Tea is channeled from Darjeeling to Germany via two differing **market segments** (see figure 5): market segment A functions via regulated supply chains in which German tea traders have direct supply agreements with Indian tea producers or a contract with an Indian intermediary. The former are expensive for the German importers, requiring direct, personal contact with producers, which means regular visits to Darjeeling, among other things. This form pertains to only a small part of marketed tea. According to a producer estimate, 10 percent of plantations export their tea directly.⁹ Trade via intermediaries can occur either via a single trader or several. A Tea Board of India representative estimates that around 100 intermediary traders are active in the Darjeeling tea trade on the Indian side (interview 14), including large traders such as Darjeeling Impex Ltd., who have direct contracts with plantations. In addition, a plethora of new players are entering the market to sell small volumes of tea online (e.g. Thunderbolt Tea, Teabox, or Nadmills).

Fundamentally, there are two ways that tea is imported to Germany. It is either imported in large volumes and unblended ("bulk packing") and then blended by companies into their own products, with large traders in Germany such as Hälssen & Lyon or OTG following this method, or it is imported pre-packaged and ready for sale ("retail packing"). The latter option is considerably more expensive and is preferred by smaller traders, such as independent specialty tea shops.

Market segment B is characterised by the classic trading form of the auction, which for northern India takes place in Kolkata. At auctions, tea is sold in different forms and levels of quality. The Kolkata auction is organised by broker J. Thomas Ltd., which takes one percent commission per

transaction. All buyers are registered, with the largest being Unilever, Tata Tea, and Jayshree (interviews 6 and 7). One producer estimated that Unilever and Tata Tea alone purchase between 50 and 60 percent of the total volume of tea sold at the Kolkata auction. Tea traded at this auction is destined for both the Indian market and export markets.

Market segments A and B differ primarily in terms of the quality of the tea that is traded. Around 2,500 tonnes of rolled orthodox tea (see description above) from Darjeeling is traded via auction; that is, less than a quarter of the total volume produced. Three quarters of the orthodox tea is sold via market segment A, whereas lower quality tea later sold in tea bags is traded through the auction.

The sale of tea from Darjeeling takes place via two market segments: market segment A occurs via regulated supply chains, while market segment B is characterised by the classic trading form of the auction, which for northern India takes place in Kolkata.

According to estimates by a number of Indian tea traders and experts, 30 to 40 percent of Darjeeling tea is produced for the Indian market. The export of tea from Darjeeling is organised through Kolkata's ports. Key exporters include large tea traders and producers such as Unilever, Jayshree, Tata, and Goodricke, as well as specialized trading and logistics companies such as Shah Brothers, New Tea, or Global Exports.

Slicing the pie—price relations along the supply chain

A precise calculation of price margins is fundamentally difficult. Traders are largely unwilling to make their price calculations transparent. Nor do plantation companies in Darjeeling or their associations publish their cost and price calculations. There is also the challenge of the previously-described fluctuations in tea qualities and tea prices depending on the season (first flush, second flush, monsoon flush, or autumn flush). Due to this lack of price transparency, the calculations in this chapter are primarily based on statements by those interviewed.

The spectrum of prices for tea sold online by tea companies in Germany is very broad, however the converted price for 100 grams of cheaper loose-leaf tea and tea bags respectively is quite similar (see figure 6).

In general, tea from Darjeeling is sold in Germany at a relatively high price. The question, however, is what propor-

tion of the retail price goes to the plantation companies and what proportion to the tea pluckers. In the following section, price estimates will be made with respect to both market segment A (regulated supply chains) and market segment B (auction).

The spectrum of prices in **market segment A** is relatively broad for both consumers as well as in the tea trade itself. This has a number of causes:

- (1) The prices for tea fluctuate wildly according to the **harvest season**. Prices for first flush and second flush tea are often four times higher than for tea from the monsoon

⁹ Reliable numbers are only publicly accessible in relation to trade that takes place via auction. All other figures are based on the estimates of individual interview participants, which were later confirmed in other interviews.

flush and autumn flush harvests. The last two tea types play only a marginal role for the import of Darjeeling tea to Germany via market segment A. In an elite niche market in Germany, prices of over EUR 100 per kilogram are sometimes paid for “spring blossom” tea, which comes from the first harvest of the year (interview 10).

(2) The extent to which the German companies themselves take on the logistics and **transport of the tea** makes a considerable difference to the price. It is more common for a tea producer, such as Goodricke and Chamong, or an intermediary, to handle logistics and transport from the Indian side. In this case, German tea importers make calculations using a “free on board” price (FOB). This means that the costs for logistics and transport in India up until ship loading are included in the price they pay for the tea.

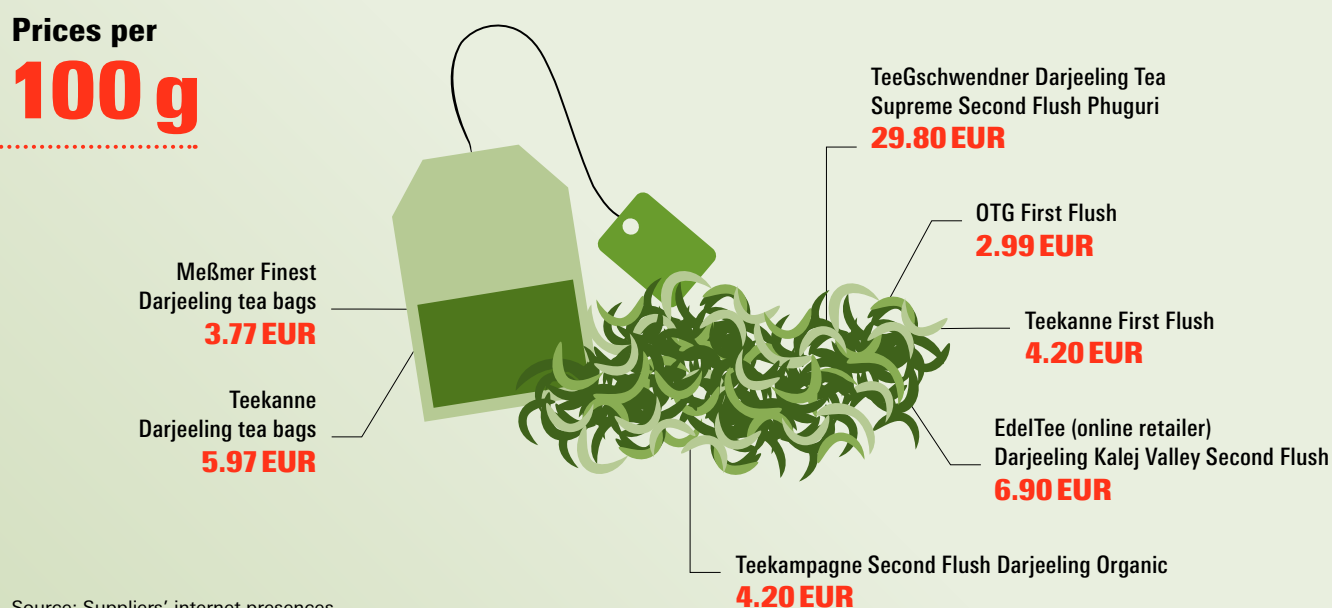
(3) The cost of **freight** between Kolkata and Hamburg is a major factor. From the German tea importers’ perspective, the volume of tea imported per year is crucial in this regard, as larger import volumes drastically decrease the transport cost per unit. In principle, there are two ways tea can be transported: either in bulk, i.e. in sacks weighing between 25 and 28 kilograms, or pre-packaged in smaller amounts (from 100 to 500 grams) which are ready for sale (interview 11). Transporting tea in smaller packages is considerably more expensive.

Concrete price calculations made by German tea importers comprise a number of different categories. The following calculations (see figure 7) are based on real numbers

provided anonymously by a tea trader. This trader imports comparatively small volumes and serves a high-priced segment, in this case with first flush tea from Darjeeling: The trader buys relatively small volumes of tea in Darjeeling for a comparatively high FOB price of EUR 1.20 per 100 grams (this includes all logistics and transport costs to Kolkata). It purchases the tea pre-packaged in India, which means it is ready to be sold in stores. A considerable portion of the costs (3 percent) go to Hapag Lloyd for transport from Kolkata to Hamburg. There is virtually no customs duty on the import of tea to Germany, meaning that customs duty can be disregarded in calculating the price. A third high cost factor in this case is packaging costs, as the highly-priced tea needs to be visually appealing for marketing purposes. The cost of packaging for 100 grams is around EUR 1 and constitutes roughly 25 percent of the end price. As the trader organizes retail sales itself, the value-added tax becomes a fourth relevant factor. Packaging costs and value added tax amount to 35.1 percent of the end price. In total, the trader retains a

10 Compare statements for Meßmer at: <https://shop.rewe.de/c/kaffee-tee-kakao-tee-schwarzer-tee/>; for Teekanne tea bags at: www.teekanne.de/shop/de-de/darjeeling.html; for TeeGschwendner at: www.tee-gschwendner.de/tee-shop/darjeeling-phuguri-supreme; for the Ostfriesische Tee Gesellschaft (OTG) at: www.amazon.de/Me%C3%9Fmer-Darjeeling-4er-Pack-Packung/dp/B00UBJQXCY/ref=sr_1_fkmr1_2?s=grocery&ie=UTF8&qid=1526725524&sr=1-2-fkmr1&keywords=me%C3%9Fmer+darjeeling+lose; for Teekanne first flush at: www.teekanne-shop.de/de/die-feinen-losen-tees/loser-schwarzteeegenuss; for EdelTee at: www.edeltee.de/darjeeling-kalej-valley-second-flush-tgfp1.html and for Teekampagne Second Flush at: <https://shop.teekampagne.de/de/Produkt/Second-Flush-FTGFOP1-Bio-2018-250g/228202>.

Figure 6: Retail tea prices in Germany (2019)



Source: Suppliers’ internet presences, converted to per-100-gram prices¹⁰

gross margin of 34.1 percent and a net margin of between 15 to 20 percent of the end price in Germany.

The share of the end price that goes to the plantation companies is extremely variable and depends on many factors. In an interview, a company that produces tea and handles part of the logistics on the Indian side said that it aims to receive 22 percent of the end price for first flush and second flush tea. This is considerably higher than the average share that producer companies from Darjeeling contend with (interview 8). A number of producers said that they essentially subsidize the costs arising across the rest of the year with the sales of first flush and second flush tea (interviews 7, 8, and 13). Based on the above example, the desired margin of 22 percent would result in around 68 euro cents remaining with producer companies. The pluckers receive a vanishingly small share of the end price paid for tea in Germany. The daily yields of pluckers vary strongly depending on the season and the plantation's altitude, ranging from between nine and 20 kilograms per day (interviews 3, 5, and 9). If a plucker harvests nine kilograms a day, and taking into account that processing the tea results in its weight sinking to a third of its picked weight, then a plucker produces three kilograms of black tea for the daily wage of INR 176 (approx. EUR 2.25). Assuming that a picker receives the maximum yearly bonus payment of 20 percent of their wages, then their actual wage would be INR 211 (EUR 2.69). Based on the shop price, pluckers receive EUR 8.9 cents per 100 grams of tea, or less than three percent of the end price—this being the maximum possible proportion. In contrast, if

the daily stipulated harvest yield rises to 15 kilograms and bonuses are not paid out—which is frequently the case (Business Standard, 2017)—then pluckers would receive only 1.4 percent of the end price.¹¹

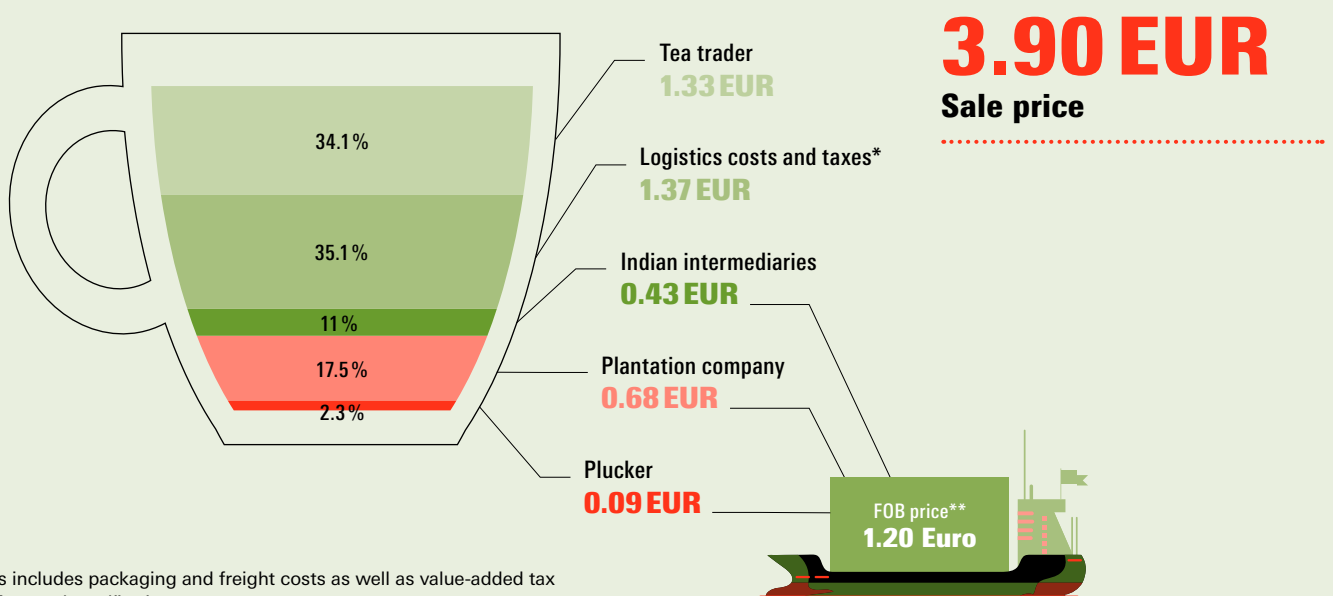
Teekampagne is the only German tea importer that makes their price calculations transparent (see figure 8).

Teekampagne's calculations illustrate that purchasing Darjeeling tea in large volumes directly from the plantation (excluding intermediaries) in particular leads to considerable cost savings. There are additional packaging costs, which amount to almost five percent of the end price, rather than the 25 percent mentioned in the first example. Overall logistics and taxes amount to EUR 49 cents. Transport costs also fall to little more than one percent of the end price in comparison to the three percent in the first example. Furthermore, at just under six percent, the net profit margin for Teekampagne is significantly lower than the 15 to 20 percent mentioned in the first example. All of these factors lead to over 50 percent of the end price being earned in India.

However, Teekampagne's model lacks a mechanism for increasing wages for tea pluckers—more money goes to the producer companies, but not to the pluckers. Typically,

¹¹ It should be emphasized that these wage shares are by no means the only work-related costs borne by the plantations. Factors such as legally prescribed provision of accommodation and medical care as well as old-age pension payments are additional costs (see further Chapter 4).

Figure 7: Market segment A price margins—anonymous (100 grams)



* This includes packaging and freight costs as well as value-added tax

** "Free on board" price

Source: Author's own calculation based on interview 11

they receive the standard wage in Darjeeling and not a cent more. Thus, their maximum possible share of the total price is only marginally larger than in the prior example, i.e. around three percent.

J. Thomas Ltd. publish traded volumes and prices for the **market segment B** auction on a monthly basis. Due to the enormous shortfalls in the harvest of Darjeeling tea in 2017 and 2018¹² the data presented in figure 9 is from 2016, which provides a good illustration of quantity ratios and price fluctuations.

Only a fraction of the yearly harvest from Darjeeling is traded via the auction in Kolkata: in 2016, the traded volume of 2,400 tonnes was less than a third of the total harvest yield. It is striking to note that it is primarily tea from the monsoon flush and autumn flush harvests (i.e. from July to November) that is traded via the auction. Tea from the first and second flush harvests in the first half of the year, which commands a much higher price, is rarely traded via the auction. Consequently, prices are much lower than in market segment A (direct trade). Apart from in the month of April (the high point of the first flush harvests), the per kilogram price at the auction fluctuated between the equivalent of EUR 2.80 and EUR 6.30.

It is important to note that pluckers' wages constitute only a part of production costs. When interviewed, producers provided very different information in relation to these costs. The most up-to-date publicly accessible data on production costs in Darjeeling come from FAO in 2010,

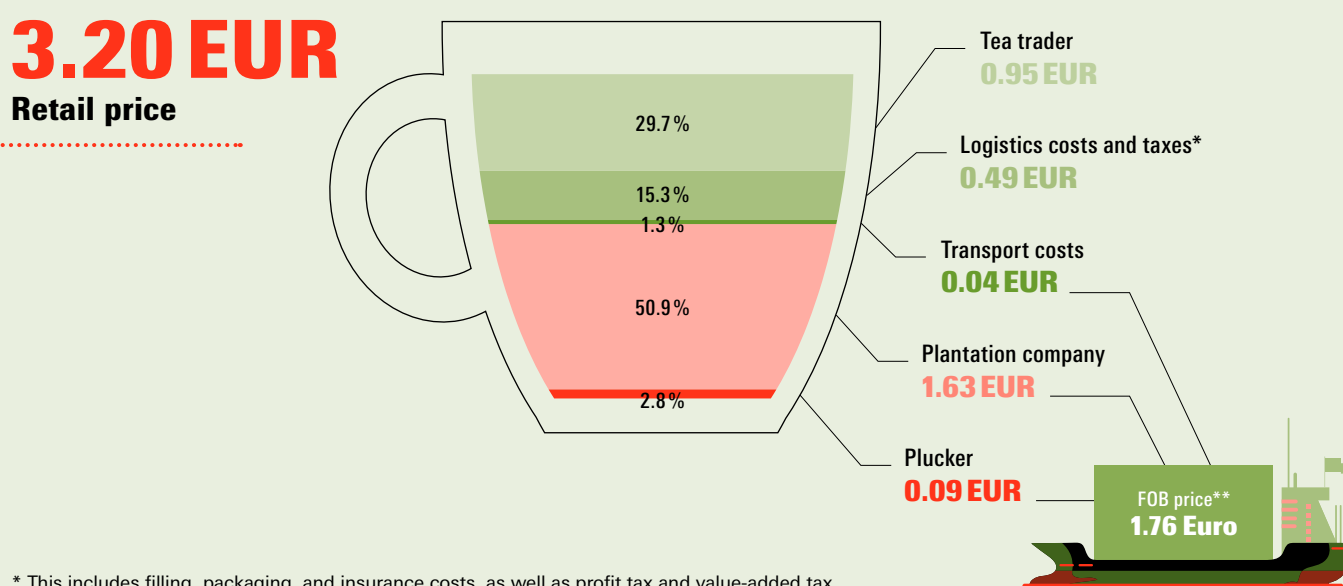
which estimate that the production costs per kilogram (including all costs for wages, accommodation, etc. that the workers accrue) lie between INR 200 and INR 250 (EUR 2.60 to EUR 2.95). In addition, there are administrative costs such as taxes of between INR 100 and INR 125 (EUR 1.30 to EUR 1.64) per kilogram (FAO, 2011, p. 121). Costs have increased considerably since then.

Tea traded via the auction primarily ends up in retail shelves in tea bags. The price margins in market segment B can only be given in the form of general estimates (see figure 10) for a number of reasons: firstly, as previously mentioned, tea companies publish no figures for this segment. Secondly, tea that is sold in tea bags varies greatly in terms of quality, with orthodox tea based on tea leaves processed whole being of highest value. Tea bags also often contain CTC tea, however, which is traded at a lower price. Tea dust, which is the leftovers from the harvests, is also sold in tea bags, and traded at particularly low prices at the Kolkata auction.

Despite these shortcomings, the general calculation in figure 10 is useful to give a rough idea of the price structure in market segment B. In contrast to the two examples of direct marketing in market segment A, around half of the end price in market segment B is retained by the supermarket or discounter companies. This generates consid-

¹² For more information on the strikes that led to the shortfalls, see Chapter 4.

Figure 8: Price margins in market segment A—Teekampagne (per 100 grams)



* This includes filling, packaging, and insurance costs, as well as profit tax and value-added tax

** "Free on board" price

Source: Author's own calculation based on www.teekampagne.de/Transparenz/Kalkulation-offen-legen

erable additional price pressure. However, it does not lead to German tea traders and blenders reducing their price margins; their margin sits at between 30 and 40 percent and moves within the same order of magnitude as in market segment A. The major difference is the reduced share of five to ten percent that goes to the plantation companies. This is only a fraction of what producers receive via market segment A.

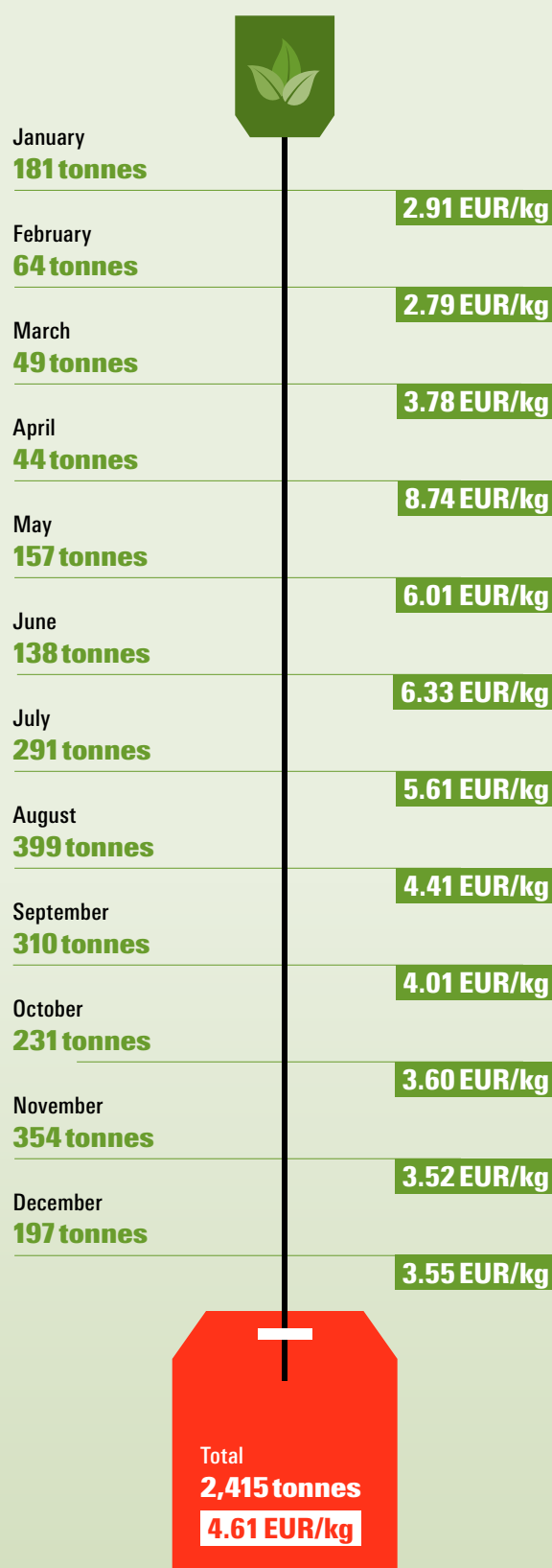
For a rough estimate of the portion received by tea pluckers, we can take the price for 100 grams of Meßmer Darjeeling tea bags (EUR 3.77) as a basis. If a plucker harvests nine kilograms of tea leaves in a working day and is paid the current wage as well as the maximum bonus, she receives just over two percent of the shop price. Even if there are no concrete price calculations available for Ostfriesische Tee Gesellschaft or Teekanne products, it can be assumed that the price pressure these two companies exert in Darjeeling is particularly high, given that they dominate sales in the discounters and supermarkets in Germany.

Quality has its price— Darjeeling as a brand

The Darjeeling tea sector is currently in crisis. In all conversations with industry and government agency representatives it became clear that producers face enormous price pressures. Labour costs (especially the costs associated with maintaining a growing population on the plantations) have risen alongside energy and transport costs. In addition, the relative value of the rupee has fallen in recent decades against the euro, and the price for tea in market segment A has come under downward pressure from German importers (see interviews 8, 10, and 15). The plantation companies regularly experience particular difficulty paying wages in the months around the turn of the year. An industry insider estimated in February 2019 that half of the plantations in Darjeeling owe their workers outstanding wages (Telegraph India, 2019). In the interviews, representatives of the industry in India held the German importers partly responsible for the crisis. A representative of an Indian company spoke of the “Hamburg mafia” squeezing prices. In particular, the German importers’ orientation towards re-export has strongly increased price pressures in recent years (interview 8). A Tea Board of India representative also labelled the market as a whole as a “captive market”, meaning that market prices are not in fact formed by supply and demand but that instead an oligopoly of a small number of importers dictates conditions in the Darjeeling tea market. Importers from Japan, for example, would pay considerably better prices, but purchase in quantities that are too small (interview 14).

It is often argued that the problems plantations face are due to their low productivity. On the one hand, this

Figure 9: Volumes and prices of Darjeeling tea traded at the auction in Kolkata (2016)



Source: J. Thomas & Company Private Limited, 2017: 24; the prices have been converted from Indian rupees to euros based on the exchange rate in April 2019.

is correct, in that the companies certainly do not invest enough in the renewal of the tea bushes on-site. On the other hand, however, it is the specific nature of Darjeeling tea—the high altitude and the harvest of young leaves—which results in the lower crop yields per hectare. High quality necessitates a higher price.

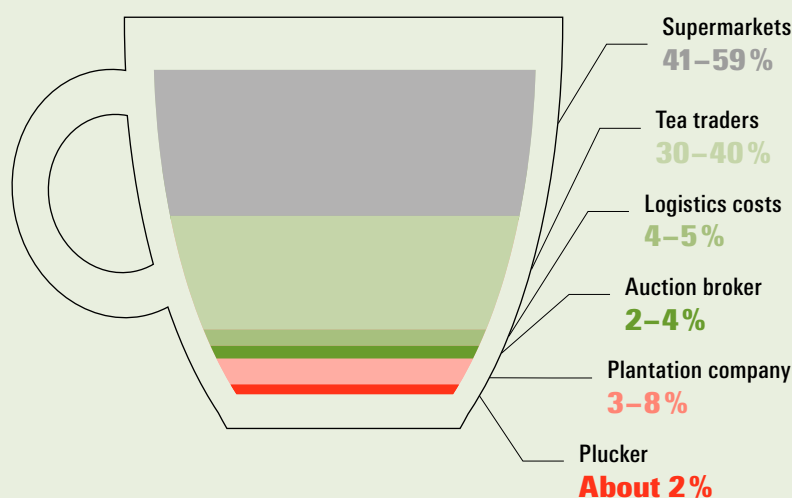
For this reason, the association of producers in Darjeeling is attempting to protect Darjeeling tea as a brand, in order to ensure good prices. Supporting this attempt, the Indian government therefore refers to Section Three of the TRIPS Agreement concerning intellectual property rights through the World Trade Organisation (WTO). In this agreement, a so-called geographical indicator (GI) is designated for products with a particular connection to the region in which they originate (FAO, 2015, p. 115). Since 2003, it has been legally mandated for the Indian market that only tea which comes from Darjeeling plantations may be sold under this designation. In 2007, India

requested that the EU Commission protect Darjeeling as a geographical indicator in the EU market. This request was initially unsuccessful, in part due to an objection by Germany. Since 2016, however, origin labelling has also been a requirement in the EU. This means that only tea of which 100 percent comes from Darjeeling may be sold as Darjeeling tea.

Although it is now legally specified that every trader must label the origin of their tea, it remains completely unclear how this origin is supposed to be controlled beyond the borders of India. It is an open secret that a much larger volume of tea than is harvested in Darjeeling each year is sold as “Darjeeling tea” in tea bags worldwide (Chapter 3). In a number of interviews conducted in India it was claimed that it is common practice to blend high-quality Darjeeling tea with other teas of lower qualities and sell it in tea bags as “Darjeeling tea”. Producers do not want to criticize this publicly due to their dependence on importers.

Figure 10: Price margins in market segment B*

100 %
retail price



* Estimated margins refer to European tea imports of orthodox tea in general, not to tea imported from India specifically. Thus it is not possible to provide concrete price proportions for market segment B. Source: Author's own calculation based on CBI 2015

4 Working Conditions in Darjeeling

Trade Union organizing

As previously described in Chapter 2, the working conditions on the plantations in the growing regions of Darjeeling, Terai, and Dooars in West Bengal continue to be shaped by colonialism via the social distance that exists between (overwhelmingly Indian) management and workers (largely belonging to the Gorkha ethnic minority), as well as the workers' extreme dependence on the plantation operators, not only in terms of wages but also for all aspects of reproduction (food supplies, housing, and healthcare). As Khemraj Sharma outlines, tea workers "lived a slave-like life" until India's political independence in 1947 (Sharma, 2000, p. 60). Up until this point, tea workers' collective organisation was strictly forbidden. Despite this, workers sought to organize themselves through secret night-time meetings in their homes (*ibid.*). The political independence of India led to the English owners selling their plantations. The new owners were largely successful business families from southern India who had already generated considerable profits in other sectors (Koehler, 2015, p. 141). At the same time, two different groups in Darjeeling began to organise the tea pluckers. The Communist Party of India (CPI) founded a tea union in 1946, while a second union emerged in the 1950s that was closely affiliated with the local Gorkha party (the Gorkha League). The fact that nearly all tea workers in Darjeeling were ethnically Gorkha can be traced back to the British colonial expansion of tea cultivation described above.

Today's trade union landscape in the West Bengal tea sector is highly fragmented with 22 active unions. This is not the case in Darjeeling specifically, however, with the Darjeeling Terai Dooars Plantation Labour Union (DTDPLU) the sole active union on 70 of the 87 plantations (West Bengal Regional Labour Offices, 2013). The organisational power of the DTDPLU manifested itself clearly in the tea worker strike at the end of 2017, which lasted for over 100 days. This strike was part of a broader political movement for more autonomy in Darjeeling (see infobox) and led to massive harvest shortfalls in 2017 and 2018.

Infobox

The Gorkhas' struggle for autonomy in Darjeeling

The Gorkha trade union DTDPLU is closely connected with the local Gorkha movement for autonomy. In contrast to Darjeeling, the small bordering state of Sikkim is a federal Indian state. The Gorkhas have been trying to establish an independent "Gorkhaland" since at least 1907, with these efforts strengthening from the 1980s onwards. In 1980, the Gorkha National Liberation Front (GLNF) was founded. An important tool of the protest movement for a "Gorkhaland" is the strike (*bandh*). Following a 40-day *bandh* in 1987, partial autonomy was implemented through the Darjeeling Gorkha Hill Council, which initially provided stability and peace. However, a group that wanted a militant struggle for complete autonomy soon split off from the GLNF—the Gorkha Janmukti Morcha (GJM). In 2011 there was another *bandh*, which also encompassed the tea sector. GJM, the government of West Bengal, and the Indian national government agreed on expanded partial autonomy for the administrative district of Darjeeling, with GJM winning all 45 seats in the subsequent local elections. 2017 saw another strike. Under Mamata Banerjee, Chief Minister of West Bengal and leader of the Trinamool Congress party, the Bengali language was to be introduced as a mandatory subject in schools in Darjeeling. From mid-June to the end of September there was a *bandh* that lasted over 100 days, and which primarily occurred on tea plantations. This led to shortfalls of most of the 2017 harvest and also reduced the 2018 harvest. Since then, a considerable part of the GJM's political leadership and DTDPLU leaders have either been imprisoned or live underground.

Starvation wages

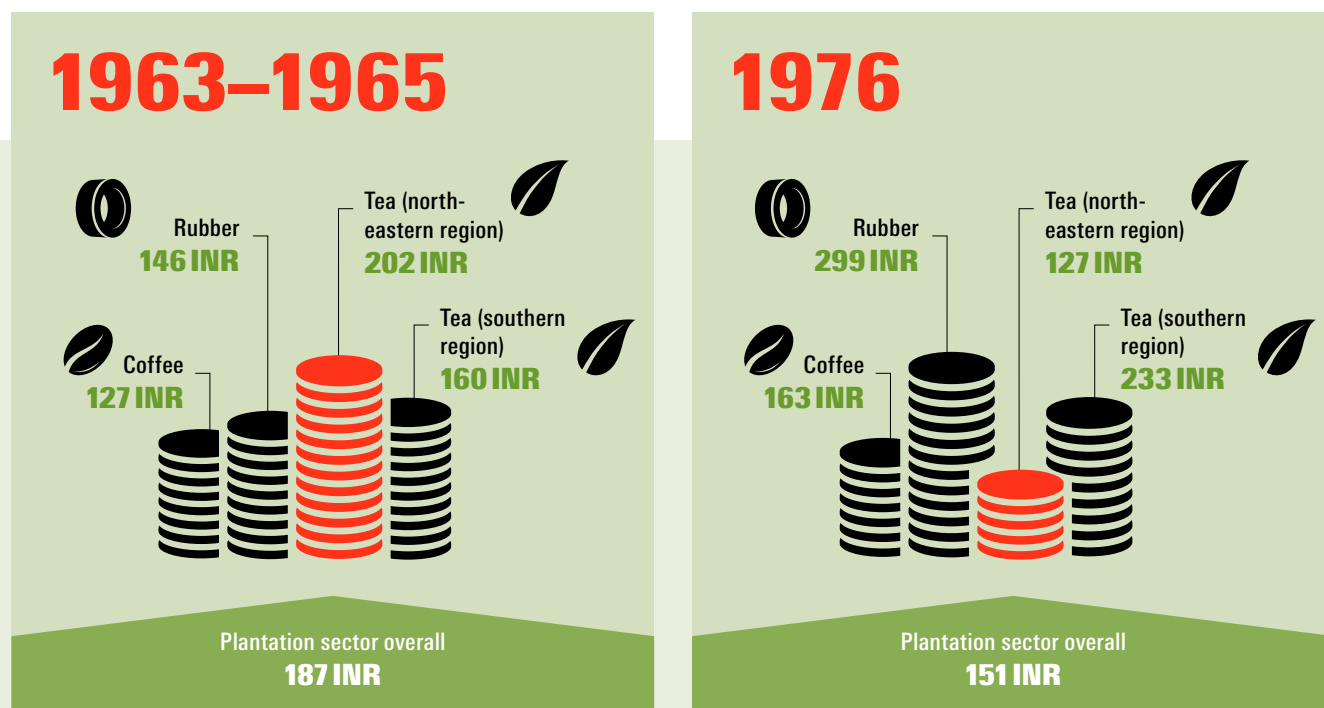
Wages in West Bengal are set through a collective-bargaining mechanism that proceeds every three years according to the following model: the umbrella union organisation, the Coordination Committee of Tea Workers Unions (CCTWU), tables its demands for wage increases to the committee of plantation companies, the Constituent Committee of Planters Association (CCPA). Subsequently, both parties engage in bilateral negotiations. An agreement is usually not reached, however, which leads to the involvement of West Bengal government representatives. Following bargaining sessions, this state mediation leads to results which are usually relatively close to the CCPA's original wage offer (Sarkar, 2015, p. 15).

On the whole, wages in the tea sector in West Bengal are shockingly low. For 2015, the negotiating parties agreed on an initial daily wage of INR 112.4 (around EUR 1.50), which increased to INR 132.5 (EUR 1.74) through to 2017 and then rose to INR 176 (EUR 2.25) following the strike in April 2018 (Telegraph India, 2019). This corresponds to a little over half of what a government commission recommends as a minimum wage for West Bengal (INR 342) (Government of India, 2019, p. 68).

The low degree of the wages in the tea sector becomes clear when they are compared with wages in other sectors. In 2012, tea sector wages in West Bengal were less than a third of wages in the mining sector (INR 367 a day) and the average wage in the manufacturing sector (INR 303 a day) (Sarkar, 2015, 21). If these extremely low wages are criticised, two arguments are usually brought forward by the producers as well as German tea importers. Firstly, although wages are low, they have increased in recent decades; considering low productivity levels, higher wages would not be affordable. In addition, it is argued that the expensive services that plantation companies provide from their own budgets must also be taken into account (such as housing, food supplies, healthcare, and schooling) when considering wage levels.

(1) In relation to the first argument, it is important to incorporate the high inflation rate in India into calculations; in absolute terms, wages have increased considerably from INR 63 in 2009 to INR 176 currently. The situation looks completely different, however, if wage increases are considered in real terms (see figure 11): between the end of the 1960s and the beginning of the 2010s, the real wage in Assam and West Bengal has fallen sharply, while it has increased significantly not only in other plantation sectors (coffee and India rubber) but also in the tea sector in southern India (in Tamil Nadu, Kerala, and Karnataka). In 2017 this meant that wages in Kerala (INR 310 a day) and

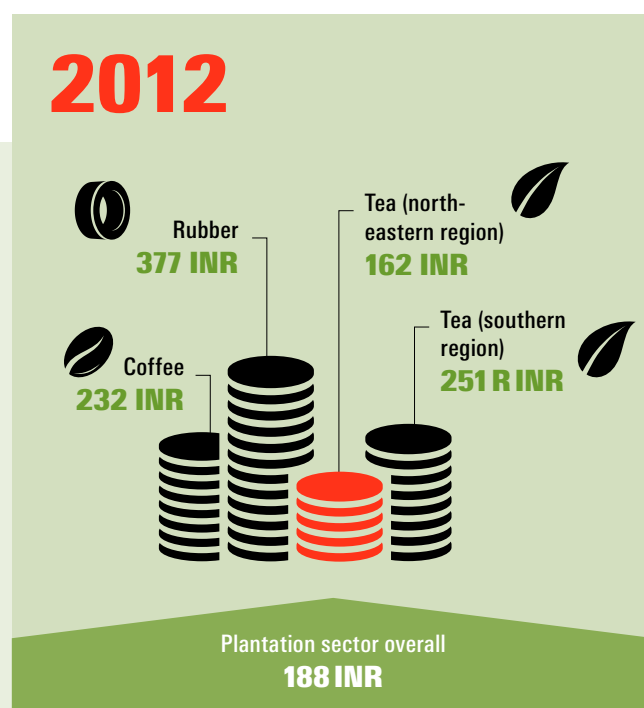
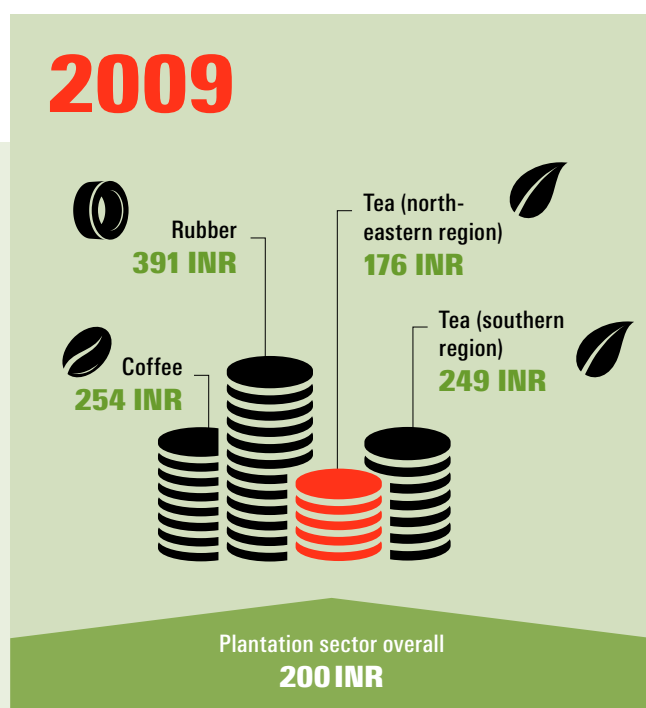
Figure 11: Average real wages per day in the Indian plantation sector*



Karnataka (INR 263 a day) were twice as high as in West Bengal, with wages in Tamil Nadu over 100 rupees higher at 241 a day. It is also worth noting that tea from southern India obtains considerably lower prices at auctions than Darjeeling tea (Telegraph India, 2017). The daily wage for tea pluckers in Darjeeling is even lower than the “National Rural Employment Guarantee Scheme” rate of INR 179, which targets extremely poor unemployed households in the countryside. The minimum wage for “unskilled agricultural workers” in other sectors in West Bengal amounts to INR 221 a day. Even if the yearly bonus payments are factored in, tea plantation wages are still significantly lower than this number.

(2) In response to the second argument used to justify the extremely low wages, the following can be said: Article Two of the “Plantations Labour Act” explicitly follows the definition of the “Minimum Wages Act” of 1948, which allows for remuneration to be made in non-monetary forms. It is often argued that these benefits are not provided in southern production regions and thereby explain the high discrepancy between respective wages. This is simply false. Legally-stipulated mandatory benefits (statutory benefits) are also provided in India’s southern states. These benefits include medical care, accommodation, drinking water, sanitary facilities, child and infant care as well as primary schooling. It is only subsidised food supplies and energy sources such as firewood that are not provided in the south (Sarkar, 2015, p. 26).

Thus, the question arises why the unions in Darjeeling are not capable of negotiating higher wages. This is particularly pertinent in the case of the DTDPLU, as due to the shared ethnic identity of the workers the union can boast high levels of organisation in Darjeeling. However, this does not seem to be sufficient on its own. There are a range of reasons for the union’s relatively weak negotiating position: firstly, the DTDPLU makes little use of their high degree of organisation in Darjeeling, because they participate in group negotiations with the larger tea regions of Dooars and Terai. As previously mentioned, 22 unions with starkly differing ideological positions and interests sit at the negotiating table, giving the unions a very weak position in relation to the companies. Secondly, women are not represented at the highest levels of the union, although they constitute the overwhelming majority of tea workers. Thirdly, the current negotiating mechanism disadvantages the unions in Darjeeling in comparison with the situation in the south of India, where there are minimum wages, for example, which are not negotiated but mandated by the state and adjusted for inflation twice a year.



* In INR, based on their value in 1960. In April 2019, the exchange rate was 78 Indian rupees to 1 euro.
Source: India Labour Journal 2013, cited in Sarkar, 2015, p. 23



The Plantations Labour Act regulates not only working conditions, but also housing standards, medical care and childcare.



Forms of regulation

As explained in Chapter 2, regulatory power concerning labour relations on plantations in Darjeeling is not solely held by the state. Alongside state legislation, voluntary codes of conduct also play a key role. Plantations must be certified through these programmes if they want to supply the German market. In the following three subchapters, the most important regulations set out under the Plantations Labour Act as well as those of the Rainforest Alliance seal and the Fairtrade Standard will be outlined.

The Indian state—the Plantations Labour Act

The Plantations Labour Act (PLA) came into effect in 1951 and was revised a number of times in the 1960s and 1980s. It applies to all plantation sectors in India, including rubber, coffee, palm oil, and cardamom as well as tea. A business is considered a plantation if it is at least five hectares in size or has at least 15 employees.

The PLA specifies that working hours may not exceed nine hours a day or 48 hours a week. If overtime ensues (up to a maximum of six hours a week) or work is done on public holidays, workers should receive double their wages for these hours. No worker should work outside the hours of 6 a.m. and 7 p.m., and workers should be given at least a half-hour break every five hours. Every employee is due paid holidays each year dependent on the number of days worked. Additionally, the PLA stipulates that a company and its workers must pay into a pension fund, for which 12 percent is deducted from a worker's wages, which is to be matched by an equal contribution from the company. Alongside regular wage payment, there is a bonus system: once a year, workers are to receive a bonus of between eight percent and a maximum of 20 percent of their yearly wages. The level of this bonus payment is dependent on the quality rating of the plantations (from grade A to grade D) with A being considered the highest quality. This system is not only opaque, but also often not up to date: plantations who have improved the quality levels of their production enormously in recent years continue to be classified lower than "vintage plantations" which are well-known but in poor condition (interview 13). Moreover, companies often do not pay out bonuses at all (interview 8; Business Standard, 2017).

The PLA not only regulates working conditions but also requires companies to supply a number of primary care provisions (see table 1). This takes into account the fact that plantations in India are characterised by a complex network of relations of dependency between workers and management, rather than purely capitalist wage-labour relations.

Table 1: Regulations of the Plantations Labour Act (PLA) (Selection)

Drinking Water	Art. 8	Sufficient access to drinking water must be made available to all workers in easily-accessible locations.
Toilets	Art. 9	Separate toilets for men and women should be made available in sufficient numbers and in easily-accessible locations on the plantation (9.1) and kept clean (9.2).
Medical Care	Art. 10	Medical care corresponding to local state law provisions must be provided on every plantation.
Canteens	Art. 11	Federal states may stipulate that each plantation with over 150 workers must have a canteen.
Childcare	Art. 12	If 50 or more women work on the plantation or 20 or more children under the age of 6 live on the plantation, the operator must provide appropriate childcare facilities. Federal states may also set additional childcare requirements for plantations with less workers.
Recreational Facilities	Art. 13	Stipulations concerning the provision of recreational facilities on plantations are at the discretion of the states.
Schools	Art. 14	If more than 25 children between the ages of six and 12 live on the plantation, it is at the discretion of the states whether stipulations are made concerning schooling.
Accommodation	Art. 15	Accommodation for workers and their families that live on the plantation must be provided and maintained by the plantation operator; this also applies for workers who have worked on the plantation continuously for at least six months but live off-site. Specific regulations concerning minimum standards for accommodation and related facilities are the responsibility of the states.
Protective Gear	Art. 17	Federal states are obliged to regulate the provision of necessary resources for protection against cold and rain, such as umbrellas, blankets, and rain capes.

Source: Government of India, 1951

In addition to these areas of primary care provision, there are two additional provisions that must be made in Assam and West Bengal: the subsidised sale of basic food supplies to workers and the free provision of firewood (Sarkar, 2015, p. 25).

The Rainforest Alliance seal

The Rainforest Alliance is a key player in the global certification industry. It had a turnover of USD 40 million in 2017, and looks set to grow considerably following its merger with UTZ in 2018. With contributions of over USD 100,000, large financiers of the Rainforest Alliance include McDonald's, Teekanne, and Unilever, while Tata Global Beverages was previously one of its largest backers. Over 100 agricultural products are certified by the Rainforest Alliance seal. The Sustainable Agriculture Network (SAN),

which developed the standards and criteria by which the seal is awarded, is closely connected with the Rainforest Alliance. A modest number of around 10 organizations worldwide are authorised to certify according to SAN standards and conduct control checks. The largest of these organizations is Sustainable Farm Certification International, a subsidiary of the Rainforest Alliance. A SAN certification is valid for three years and is accompanied by yearly audits. The SAN standard is made up of 119 criteria, 37 of which are deemed "Critical Criteria". Adherence to these 37 criteria is the prerequisite for receiving and retaining certification. The remaining 82 criteria are considered "Continuous Improvement Criteria"; over a period of six years, certified plantations should show that they are making progress in related areas. As a whole, the 119 criteria are organised according to four overar-

ching principles: 1) effective planning and management systems; 2) biodiversity conservation; 3) natural resource conservation; and 4) improved livelihoods and human wellbeing. Only the fourth principle is relevant for this

investigation (see table 2). “Critical Criteria”, which must be adhered to, fall under the following categories (among others): wages, complaints mechanisms, drinking water, and housing.

Table 2: SAN-standard Criteria for the Awarding of the Rainforest Alliance Seal (Selection)

Minimum Wages	Criterion 4.5	All workers receive at least the legal minimum wage (alternatively, wages agreed upon through collective bargaining). If remuneration is paid on a piecework basis, payments must still at least match minimum wage levels. Workers may not have the costs of work tools or apparel deducted from their wages.
Grievance Mechanism	Criterion 4.9	Management has established a grievance mechanism through which workers can report labour rights violations. Management informs all workers of this mechanism as well as external complaints procedures and ensures that making a complaint has no negative consequences for workers.
Drinking Water	Criterion 4.12	All workers and their families have reliable access to drinking water through a public potable water system.
Housing	Criterion 4.13	Workers must have access to housing which is dry, protected from wind, rain, and cold, and equipped with separate beds for each resident and lockable doors.

Source: SAN 2017

The Fairtrade Standard

The Fairtrade system comes from Fairtrade International, who defines and further develops the Fairtrade standards behind the seal. Fairtrade International brings together the 27 national Fairtrade organisations (Transfair in Germany) under one umbrella organisation, alongside the three regional producer networks in Africa, Asia, and Latin America. The Fairtrade subsidiary FLOCERT organizes certification and audits worldwide. As with the Rainforest Alliance, a distinction is made between core and development criteria. The Fairtrade system differentiates itself from other sustainability labels through the fact that Fairtrade bonuses are paid to producers alongside market prices. The level of Fairtrade bonus is determined by the proportion of production which is sold under the Fairtrade seal, with a “bonus committee” deciding on how the bonuses are used. Following certification, the standards are verified twice within the first three years, and thereafter on an unannounced basis. Fairtrade has different standards for farming cooperatives, contracted growers, and plantations, as well as for traders along the supply chain. Alongside the basic standards, product-specific standards are also defined, including for the tea sector.

The “Hired Labour Standard” for plantations is subdivided into five chapters: 1) general requirements for certification; 2) social development; 3) labour conditions; 4) environmental development; and 5) trade.

Despite the overriding “Hired Labour Standard”, an exception specifically exists for the Darjeeling region within the tea-specific standards. Due to the “critical economic situation” in the region, workers’ basic needs such as housing, water, and sanitary provisions may partially be paid for using Fairtrade bonuses (Fairtrade 2011, 2.1.2). In addition, infrastructure projects may also be paid for using Fairtrade bonuses if it can be clearly proven that workers support these projects and that at least 50 percent of the costs are borne by the company itself (ibid., 2.1.3). Companies can also retain 20 percent of bonuses and use them for investments that will allow them to implement Fairtrade-stipulated labour standards (ibid., 2.1.4).

Finally, a trader of Fairtrade tea must pay 60 percent of the price in advance should the tea producer wish (ibid., 5.4). These special exceptions in Fairtrade standards for the Darjeeling region underscore the extent of the tea production crisis depicted in Chapter Three. However, instead of dealing with the consequences and revoking certification from plantations that do not abide by legal standards, Fairtrade adjusts standards to reality by making special exceptions for Darjeeling.¹³

¹³ In communication with the author of this study, Fairtrade Germany said that the tea standard is currently being reviewed, whereby “the exceptions for Darjeeling are a matter for debate”.

Table 3: Fairtrade Standard Criteria for Hired Labour (Selection)

Fairtrade bonus	Criterion 2.1	Usage of the Fairtrade bonus is decided on by a committee that is predominantly made up of workers voted for by all plantation workers and which reports back once a year at a workers' meeting. The bonus may not be used for investments that the company is legally required to undertake, but rather must be used for investments from which workers directly benefit.
Awareness	Criterion 2.2	The company must ensure that all workers are comprehensively informed about the Fairtrade system, including the purpose of the bonus and the role of the committee.
Wages	Criterion 3.5	The company must pay wages that at least correspond to the legal minimum wage (or collective agreements, if applicable). For piecework, amounts must be paid that correspond to the average hourly wage. If remuneration is below the living wage determined by Fairtrade, the company must increase wages yearly in order to gradually reduce the difference to the living wage.
Grievance procedure	Criterion 3.5	The company must have an anonymous grievance procedure that workers are aware of.
Housing	Criterion 3.5	Housing for workers and former workers must be structurally safe and ensure decent levels of privacy, safety, and hygiene. Housing must be regularly maintained and modernised. If sanitary facilities are used communally, a sufficient number of toilets and washing facilities with clean water must be provided. Family housing must be equipped with sufficient ventilation, access to natural and artificial light, a supply of clean drinking water, adequate sanitary facilities, and a waste-water system, among other things.
Water and Sanitary Facilities	Criterion 3.6	In the workplace, the company must provide all workers with drinking water as well as clean toilets, recreation rooms, and facilities for washing their hands.
Medical Care	Criterion 3.6	The company must ensure access to adequate medical care, meaning either free transport to the closest hospital or free medical care on-site. After three years, the company must offer free medical care in the workplace at fixed times during the working day.

Source: Fairtrade, 2014

The international context—human rights due diligence

This chapter has so far outlined the foundations both of the state regulation and of the two private sustainability standards that dominate in Darjeeling—the Rainforest Alliance and Fairtrade. In this context, it is clear that importers, who receive the largest margin of the end price and thereby considerably intensify price pressure on primary production, simultaneously create additional costs for producer companies via the implementation of sustainability standards required for certification. Certification thus has a paradoxical effect. In order to make importers responsible for human rights violations that arise in direct connection with the production of the products they import, negotiations concerning the introduction

of human rights instruments have taken place at both German and UN levels in recent years. Currently, victims of human rights violations committed by subsidiaries or suppliers of German companies have little opportunity to take legal action in this regard.

In 2011, the UN Human Rights Council adopted a set of “Guiding Principles on Business and Human Rights”. A central feature of the principles is the recognition of states’ obligation to prevent human rights violations. Accordingly, states must enact measures to effectively protect people from human rights abuses by corporations. In addition, corporations are responsible for preventing and if necessary remedying human rights abuses both in terms

of their own operations as well as those of their suppliers. In some countries, this due diligence duty concerning human rights has already been adopted into national law; in France, through a comprehensive definition of due diligence duty concerning human rights for large corporations, and in the United Kingdom and the Netherlands in relation to forced and child labour.

At the end of 2016, the German federal government adopted the “National Plan of Action for Business and Human rights” (NAP), which calls on German companies to comply with their due diligence duties concerning human rights along their supply chains. The NAP is intended to implement the “Guiding Principles on Business and Human Rights” on a German level. It is, however, voluntary, and noncompliance does not lead to sanctions; corporations who ignore these guidelines are neither penalised nor fined. The action plan’s aim is for 50 percent of all companies with more than 500 employees to implement a duty of care concerning human rights by 2020.

Currently, it seems that the federal government is watering down the criteria for evaluating German corporations’ respect for human rights in order to meet the intended quota (Paasch, 2019). When the action plan was adopted, the federal government announced that it would consider introducing legally-binding measures if German corporations failed to achieve voluntary implementation. German civil society as well as the parliamentary groups of Die Linke and the Greens in the Bundestag have called for a binding law that requires German companies to ensure that human rights are protected along their supply chains. Individual corporations and part of the federal cabinet have also spoken out in favour of such a law. A draft law drawn up

by the CSU-led Federal Ministry for Economic Cooperation and Development (BMZ) has already been made public.

Alongside the debate surrounding a supply chain law in Germany, negotiations are taking place at the United Nations concerning a treaty on business and human rights (“UN treaty”) that would build on the UN guiding principles of 2011 but become a binding instrument at the level of international law.

A binding UN treaty on business and human rights and a German supply chain law could contribute considerably to the protection and enforcement of human rights and labour rights on tea plantations in Darjeeling. A necessary prerequisite for this would be that these instruments would be applied to the most important German importers. As the majority of these are medium-sized businesses with less than 500 employees, the NAP in its present form does not apply to them.

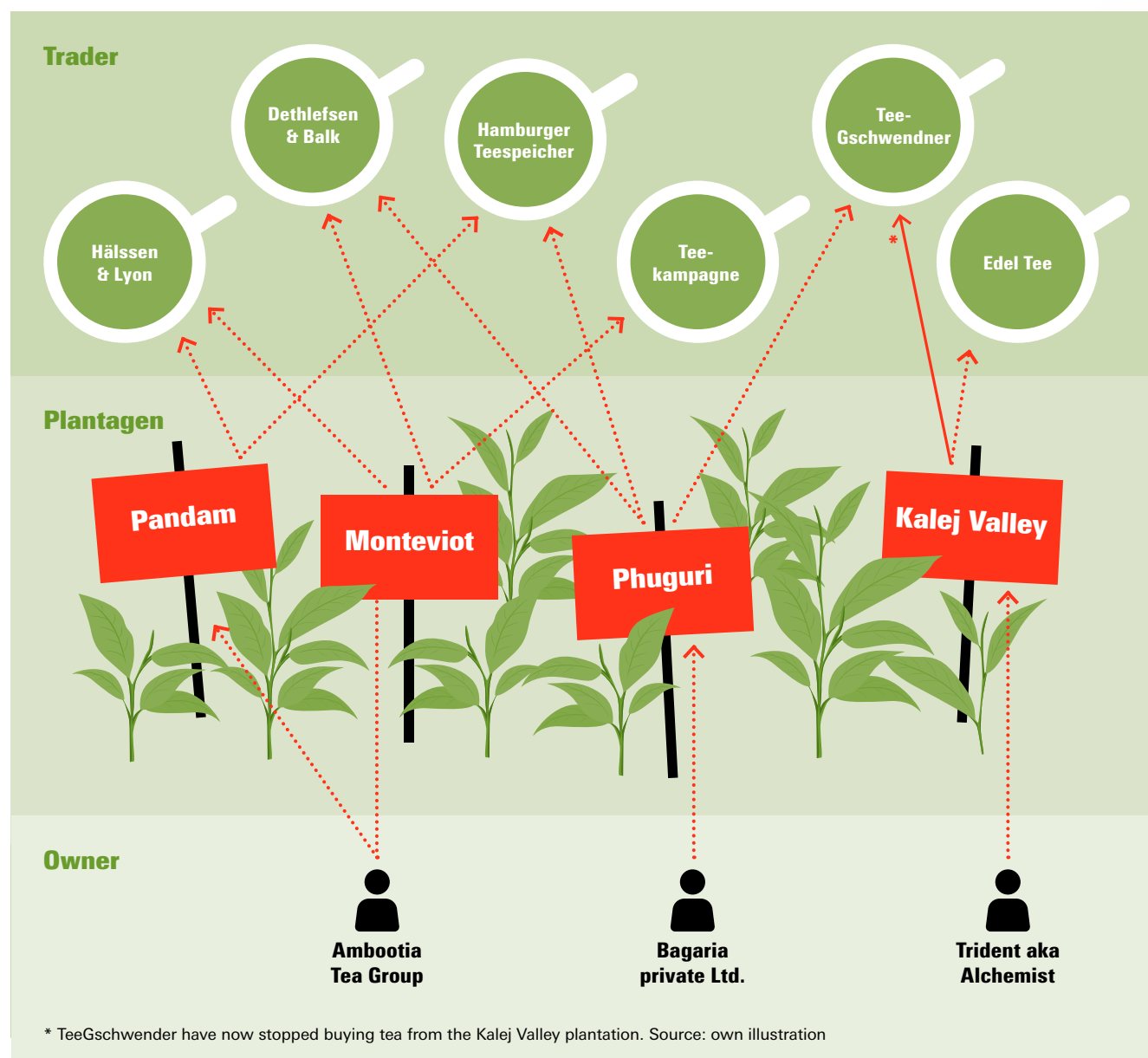
Besides, these instruments can only be fully effective if (in contrast to the private standards of the Rainforest Alliance and Fairtrade) they are linked to civil and administrative law in such a way that the legal obligation to fulfil a duty of human rights due diligence can then be tied to corporate legal responsibilities. Furthermore, tea pluckers and unions would need to be able to take both individual and collective legal action as well as to have access to information about business-related decision-making processes that directly concern them. There would be no technical difficulty in implementing adherence to this due diligence duty for German tea importers in market segment A, as it is based on direct and contractually-agreed trade between plantation companies and importers.

5 In Detail: Realities of Life and Work on Four Plantations

To exemplify the realities of life and work on the plantations, we examined the working conditions on four plantations in more detail. Three of these plantations are certified by Rainforest Alliance and two by Fairtrade. The plantations were selected based on their supply relationship with Germany. Each of the four plantations supplies at least two German tea traders (see figure 12). We conducted group

interviews with workers on the plantations, primarily tea pluckers. Only workers who live on the plantations were interviewed. Circumstances did not allow to interview casual workers, who are only employed on the plantations temporarily, on a systematic basis. It must be assumed that the latter group is much worse off both economically and socially than those families who live on the plantations.

Figure 12: Selected supply relations from Darjeeling to Germany





Darjeeling town

India

Sikkim

Pandam
Tea Plantation

Kalej Valley
Tea Plantation

Darjeeling

Nepal

KALEJ VALLEY TEA PLANTATION



Owner: Trident/Alchemist
Permanent employees: 559 workers
Area: 496 hectares
Certifications: none

Phuguri
Tea Plantation

Monteviot
Tea Plantation

MONTEVIOT TEA PLANTATION



Owner: Ambootia Tea Group
Permanent employees: 134 workers
Area: 76 hectares
Certifications: Rainforest

PHUGURI TEA PLANTATION



Owner: Bagaria private Ltd.
Permanent employees: 571 workers
Area: 427 hectares
Certifications: Rainforest, Fairtrade

PANDAM TEA PLANTATION



Owner: Ambootia Tea Group
Permanent employees: 268 workers
Area: 381 hectares
Certifications: Rainforest, Fairtrade



The pluckers
are paid on a
piecerate basis.

Pandam tea plantation

Pandam is located in the east of Darjeeling and the tea produced there is considered to be high quality. It belongs to Ambootia (or Darjeeling Organic Tea-Estates Private Ltd.), which is owned by the Bansal Group, which in turn owns a total of 15 plantations in Darjeeling. One of the company's partners is Oikocredit-Bank, which claims to have a EUR 3 million stake in Ambootia.

On Oikocredit's website, the following statement about their partner company Ambootia can be found: "DOTEPL [Darjeeling Organic Tea Estates Private Ltd., Ambootia] offers its employees not only fair wages and social benefits, but also free housing, educational facilities and medical care. In addition to its high environmental standards, the organization offers them the opportunity to improve their personal situation and their living conditions" (Oikocredit, undated)¹⁴. The results of this study show that the opposite is true. Furthermore, the company is required by law to provide "free" housing, primary school and medical care. Oikocredit claims that they work with Ambootia "because the organization restores tea plantations". However, this is not the case at the Pandam plantation: Pandam was in a state of crisis when it was taken over by the state-owned West Bengal Tea Development Corporation in 1980. But Ambootia didn't buy the plantation until 2015. On their website, Oikocredit claims "Ambootia initiates changes for the entire region and sets a good example. It introduces ecological methods and improves the way people living on

the land are treated" (Oikocredit 2013). Yet this is not true either: Pandam switched to organic production as early as 1994. Pandam produces for various German importers, such as Hälssen & Lyon. For this study, we spoke with a total of 15 workers on the plantation in two different group interviews (group interviews 3 + 4).

The pluckers are paid on a piecework basis. They work six days a week, from 7:00 in the morning until 4:00 in the afternoon, with a 30 minute break. The pluckers do not understand why they are paid less in the afternoon than in the morning: at the time of the interview they received 15 rupees (about EUR 0.20) in the morning and eight to nine (about EUR 0.10) in the afternoon per kilogram picked. The wage per quantity varies seasonally, in some months they get only 12 rupees in the morning and seven to eight rupees in the afternoon. The management also specifies different minimum harvest quantities per day according to the season. If these quotas are not met, the workers are paid less than the regular wage of INR 132.50 per day.¹⁵ If the quantity harvested is less than the quantity agreed upon, 6 rupees per kilogram are deducted. This wage

¹⁴ Public statements by German tea traders in this chapter have been translated into English by the author.

¹⁵ The minimum wage in 2017 was INR 132.50, currently (2019) it is INR 176.

deduction violates both criterion 4.5 of the Rainforest Alliance and criterion 3.5 of the Fairtrade Standard, which require that wages be increased to the minimum wage level when they are calculated on a piecework basis. According to the workers, there were no wage deductions before Ambootia took over the plantation in 2015. Wage policies like these present a very different image of Ambootia than the one presented by the tea importer Lebensbaum. In the documentary film “Fair Partnership” on the Lebensbaum website, founder Ulrich Walter explains that it is important that the tea pluckers “not only make a living, but that they are able to determine their lives in the same way as any consumer who buys the products” (Lebensbaum 2018). This suggests that the pluckers would at least be paid a living wage. Although the documentary does not focus on Pandam, it gives the impression that Ambootia adheres to this basic business model.

Darjeeling’s climate is characterized by high humidity and a lot of rainfall, often the air stays misty for hours. This causes a great deal of wear and tear on the plucker’s most important tools during their toilsome daily work on slopes: the tea leaves they pick are thrown in bast baskets which they carry on their backs. The pluckers carry an umbrella with them at all times so that they can continue working even when it rains continuously. Blankets are also important. The workers throw them over their clothes when the weather is cold, or roll them up and place them under the handles of the heavy baskets, making them easier to carry. However, the pluckers claim that insufficient quantities of the materials necessary for their work are made available to them by plantation management, and pluckers have to use their own wages to complement insufficient equipment. For example, management provides one umbrella every three years, but a new umbrella is necessary every year. Before Ambootia took over the plantation in 2015, blankets were provided every one to three years. Now they are no longer paid for at all. One new harvest basket is made available each year, but three to four are needed. This management practice also clearly violates the standards published by Rainforest Alliance and Fairtrade.

Since the wages earned on the plantations are not sufficient to provide adequate nutrition, the Food Security Act requires that each family on a tea plantation in Darjeeling receive 35 kilograms of subsidized staple food per month. The workers pay INR 0.45 per kilogram, while the plantation management pays INR 1.55. The management of the plantation also controls and distributes the staple food (Telegraph India 2016). Some pluckers reported

receiving these rations “regularly”, while others report receiving them “irregularly”.

The interviewed workers consistently complained about the lack of basic services in key areas. Firstly, it was reported that Ambootia had neither renovated nor repaired the workers’ shelters since taking over the plantation. This violates Article 15 of the PLA, which states that the company is responsible for maintaining accommodation structures on a long-term basis, with repairs of up to eight percent of the accommodation each year.

Secondly, the pluckers do not have access to a toilet while working on the plantation, which violates Article 9 of the PLA. In addition, the company does not provide the families living on the plantation with sufficient access to drinking water. Article 8 of the PLA explicitly requires that drinking water be provided and made easily accessible to workers. Some of the workers have tried to ameliorate this situation themselves by laying their own water pipes to their houses. The childcare facilities, which consist of an empty shell, were also criticized frequently. According to two workers, milk is only given to the children when inspections are carried out, for example by Fairtrade or the Rainforest Alliance.

With regard to the food situation, we can divide the households of the workers we spoke with into two groups. About half of them seem to get by mainly on the income of male family members, who do not work on the plantation. These men have found often precarious jobs in the nearby town of Darjeeling. The other half are clearly worse off. The diet in these households is essentially limited to two meals of rice and flat bread (roti) a day. Fruit and meat are eaten only very rarely. Workers from these households complain that their children are “often sick” and “weak”. Due to the fact that their income on the plantation is insufficient, they depend on survival strategies such as planting a small kitchen garden right next to the house. Trade unionists estimate that 30 to 40 percent of female pluckers do not show up for work every day. This suggests that women on the plantation are also doing short-term work as day labourers in the city of Darjeeling whenever the opportunity arises. Several pluckers compared the current situation with the period before 2015, when the plantation was run by the West Bengal Tea Development Corporation instead of Ambootia. Even though there had been some problems at that time, several people claimed: “Now we are worse off than ever before.” This is due to the deterioration in management on the one hand and to the rising costs of living on the other, which have risen faster than wages in recent years.



Phuguri tea plantation

Phuguri is a well-known plantation in Darjeeling located in the sub-district of Kurseong. The plantation is certified by Fairtrade and the Rainforest Alliance and supplies TeeGschwender among others. Bagaria is a family-owned company based in Kolkata that is involved in the steel and real estate business in addition to tea. Besides Phuguri, Bagaria owns three other tea plantations in Darjeeling and Assam.

In the interviews, the workers reported that the new management recently did not allow a Rainforest Alliance auditor to enter the plantation. They said that after the ARD radio feature "Fair-giftet" in 2015 (see above, footnote 5), the company exerted considerable pressure on the management and the manager was ultimately fired. Two groups of female workers were interviewed on the plantation (a total of 12 workers) (group interview 5); a third group was visited in their homes.

As is the case on the other plantations, the daily harvest amount changes according to season, and the company adjusts the standards for how much money is paid per kilogram of harvested tea according to the expected harvest. The pluckers agreed that it is 'normally' possible to reach the quota and earn INR 132.50 per day (see footnote 16). The management pays seven rupees per kilogram of extra harvest. However, the workers stated that a living wage that would cover the necessary daily costs of family

life would be significantly higher than what they currently earn. The pluckers estimated that such a wage would be somewhere between INR 400 to 500. These statements are particularly important because Phuguri has been Fairtrade certified since 2015. On the one hand, Fairtrade stipulates that the company must pay the nationally agreed wage, and on the Phuguri plantation they do (Fairtrade 2014: 3.5.1). At the same time, however, the standard stipulates that wages must be raised year after year to the level of a living wage. What does this mean concretely for Darjeeling? When asked, Fairtrade explained that there is no way to determine what a living wage in Darjeeling is. In this case, companies would have to prove that they increase wages annually to account for inflation. Since there have been corresponding wage increases in the tea sector in West Bengal in recent years, it is simply sufficient for Fairtrade-certified companies to pay the same wages as all other companies.¹⁶

One of the central objections raised by the pluckers was that the equipment necessary for their daily work were not sufficiently provided. On the one hand, workers complained that there were not enough baskets. On the other hand, there were several complaints about the fact

¹⁶ Statement made by Fairtrade Germany in direct communication with the author.

that the women had to purchase the plastic coverings that protect against rain and insects themselves, costing them about INR 70 per year.

Women's working conditions are particularly problematic. The pluckers' access to drinking water has deteriorated significantly. Until three years ago, there were "water carriers" to bring them water while they worked. This has since been discontinued. No public toilets are provided, which means that the pluckers have to "go into the forest" during their work shifts. Women who are pregnant are required to do the same work as women who are not pregnant: hours of picking on steep slopes surrounded by insects, in wind and weather, with only a short break. Even after pregnancy, it is impossible for the pluckers to reconcile the hard work with raising children. The women emphasized above all that childcare was inadequate. The children were given milk, but not things like blankets or toys.

The workers' main complaint was about the conditions of the housing; there had been no improvements or repairs made in two years. If the workers want to repair or renovate their housing, they must buy the building materials themselves, and the management then provides a helper to carry out the work. This violates Article 15 of the PLA, which provides that the company is responsible for maintaining the houses. The Fairtrade Standard also requires that workers' housing be maintained and renovated on a regular basis.

The company pays a total of INR 460 for firewood per year, which finances only a portion of the amount necessary for an entire year. The lack of water is another key concern: The PLA, the Fairtrade Standard (criterion 3.5) and Rainforest Alliance (criterion 4.12) all require the company to provide access to drinking water in workers' houses or nearby. This is not done in Phuguri, leading some households to install the water supply themselves. This is particularly incomprehensible with regard to Fairtrade, since Fairtrade lowered its standards specifically for the Darjeeling region: There exists an exception allowing funds to be partially diverted from the Fairtrade premium and used to finance basic needs such as housing, water supply and sanitation, although this contradicts the declared purpose of the premium.

According to workers and trade unionists, in 2012 Rainforest agreed to build 346 toilets. As of mid-2017, only 50 had been installed. The PLA clearly stipulates in Article 9 that the company must provide a sufficient number of toilets in easily accessible locations. None of the interviewees was able to name what concrete advantages the Fairtrade certification had for them. This strongly suggests that the company is not informing all the workers about the Fairtrade system, nor is the premium committee meeting with all workers once a year to inform them about the use of the premium (criteria 2.1 and 2.2), as required by Fairtrade.



Workers are complaining about the condition of housing.

There is no local hospital, only a small pharmacy with a limited selection of medicines. A doctor visits the plantation once a week. The public Primary Health Centre is 11 kilometres away from the plantation. Transport to the hospital is provided and the costs incurred in the hospital are reimbursed.

The adverse effects of the extremely low wages on the plantation are especially evident in families with only one source of income. One elderly couple's living situation exemplified this shocking display of poverty. The man works as a stoker in the tea processing factory attached to the plantation. Like the pluckers, he earns INR 132.50 per day (see footnote 16). His wife has a serious chronic skin disease for which there are no treatment options on site, and as a casual worker she only earns an irregular income on the plantation. The company is not prepared to pay for regular hospital visits and medication. According to their own testimony and that of other interviewed workers, the couple cannot afford full meals every day and occasionally receives support from their neighbours. Nevertheless, they were visibly malnourished. Several people interviewed explained that many families on the plantations were in debt, which they acquire especially when unexpected expenses arise due to loss of earnings, illness, celebrations, funerals or the like.



Kalej Valley tea plantation

Kalej Valley is another plantation that has supplied TeeGschwendner in the past and still produces tea for the German market today, such as the assortment of fine tea products on offer from the specialty retailer Edel Tee. Along with Dooteria and Peshok, two other plantations in Darjeeling, the plantation has until now belonged to the Alchemist Group. Two group interviews were conducted on the plantation with five and seven workers respectively (group interviews 1 and 2).

Problems with management have been frequent since 2008: Wages have been paid late or not at all, and on several occasions aid for basic foodstuffs was not provided. This situation worsened dramatically at the end of 2015: Between December 2015 and July 2016 workers wages were withheld and they received no medical care. A total of 2,500 families were affected in Kalej Valley, Dooteria and Peshok.

Some of the workers in Kalej Valley organized a hunger strike between 16 June and 15 July 2016. Other pluckers continued to work without pay for lack of an alternative. The hunger strike did not end until the government intervened. In mid-2016 Alchemist officially sold the Kalej Valley, Dooteria and Peshok plantations to the Trident Group. However, the details of this sale are as little known as the business connections between Trident and Alchemist (Newslick 2018). Trident has been negotiating

the payment of outstanding wages with representatives of the DTDPLU since mid-2016. In May 2017, a meeting between the union, Trident and the government did take place, but ultimately failed to resolve the issue. Alchemist and Trident abandoned the formerly productive Kalej Valley, Dooteria and Peshok plantations without making any announcements or explanations to this effect until the end of 2018. In light of this situation, some workers have formed their own committees to manage production on the plantations. However, the lack of electricity prevents the workers from processing the harvests themselves, and they must be sold to neighbouring plantations instead. Many families have already left the plantations. The workers are largely on their own (Telegraph India 2018). The plantation cannot become fully operational again without capital.

Working conditions were problematic at the Kalej Valley plantation even before the workers lost six months' worth of wages in 2015/16. The harvest quotas varied greatly depending on the season. The company paid an extra six rupees for every kilogram over the specified quota, and six rupees were deducted from wages for every kilogram below the specified quota. In Kalej Valley, too, the pluckers had to raise large sums of money themselves to pay for items such as blankets, baskets or boots. They unanimously reported that, especially since 2014, less and less of the necessary work materials had been provided or financed by the company.

As on all plantations, workers received 35 kilograms of subsidized staple food at a price of INR 0.47 per kilogram until 2015 in accordance with the Food Security Act. 350 grams of low-quality tea were also made available to the pluckers each month free of charge. The company has not built or repaired a single house since 1997. Instead, at the end of the year the company has merely paid out five additional days' worth of wages for repairs to the housing. As was the case on the other plantations visited, the workers at Kalej Valley had to lay their own water pipes from the springs to their houses in order to supply their homes with water. Medical care is an ongoing problem: There is a contact point on the plantation, but it is only staffed by an "assistant". For more serious diseases, people have to travel 45 kilometres at their own expense to the hospital in Darjeeling. Some workers reported having to wait six months to receive reimbursement from their employer. No milk is provided for infants during childcare. There is a privately-run school on the plantation that costs money to attend. Those children whose parents cannot afford this school attend a school so far away that the children have to walk one or two hours to get there.

To justify withholding the legally mandated benefits, the company argues that the plantation is experiencing a loss of revenue. This, the company says, is the reason why workers receive only limited benefits. It is problematic that importers from Germany apparently ignored this acute crisis. In response to a study by MISEREOR 2014, Thomas Holz, General Manager of TeeGschwender, commented: "The wages earned by pluckers in our projects are many times higher than those earned by those who work for companies with mass-produced goods", and added: "We do not see any chance to influence the situation, because it does not have to do with our products. This is an entirely different market" (Generalanzeiger Bonn 2014). There were already considerable difficulties in Kalej Valley at that time. At the end of 2016 or 2017, TeeGschwender stopped purchasing from the plantation.¹⁷ TeeGschwender did not take responsibility for the plight of the 2,500 families on Kalej Valley, Dooteria or Peshok. This conflicts with the information provided by TeeGschwender in its most recent online sustainability report. One of the three pillars of the company's strategy for sustainability is the "value of genuine partnerships", and it says: "Only long-term, friendly cooperation with our suppliers can ensure that the highest quality raw materials are available at all times and find their way into our customers' cups. Close dialogue results in maximum transparency, mutual trust and important ideas for innovative lighthouse projects" (TeeGschwender 2017: 19).

Residents of the plantation have devised many strategies to survive in the face of extremely low or even withheld wages: many men who live on the plantation try to find work in a quarry nearby. Two women workers summed up the situation as follows: "Those who have no one outside are the poorest families; they starve" (group interview 1). Other families try to generate additional income on a collective basis, for example by running their own small bakery or by growing their own vegetables and fruit in the gardens near the accommodation. Some pluckers collectivize their income each month so they can afford the high cost of the materials they need for work.



¹⁷ Even at the author's request, TeeGschwender has not provided any information on the date up to which tea was sourced from Kalej Valley. It stated that their decision to discontinue sourcing from Kalej Valley was mainly due to the declining quality of the tea.



Monteviot tea plantation

Like Pandam, Monteviot also belongs to Ambootia, which in turn belongs to the Bansal Group, supported by Oikocredit. The small plantation of only 76 hectares is located right next to the small town of Kurseong. Before Ambootia took over in 2003, Monteviot was run by the Goodricke Group. We spoke with a total of 17 workers (group interview 6) on this plantation. At the time the author visited the plantation, Monteviot was still Fairtrade certified. However, this certification was revoked in December 2018.¹⁸

The pluckers normally receive INR 132.50 per day when they reach the harvest quota agreed upon (see footnote 16). They receive an additional 12 rupees for each additional kilogram harvested. At the same time, significant deductions are made if the harvest quota is not reached, which violates the law in West Bengal as well as the Rainforest Alliance regulations. In extreme cases this can mean significant losses. One worker, who has been working on the plantation for 16 years, claimed that a few years ago she received only INR 900 for 14 working days. Wages are usually paid every 14 days, as is standard in Darjeeling. Yet often workers at Monteviot receive their wages a week late, which creates enormous hardship for workers and their families. The owner of a small shop located near the plantation which sells food reported that many families from the plantation are indebted to him and have to buy on credit.

The pluckers receive an additional payment from the company each year, which allows them to buy one pair of rubber boots, one umbrella and one harvest basket each. However, daily work under adverse conditions usually requires more than these allotted supplies, and the pluckers have to spend their extremely low wages to purchase them. The pluckers also have to buy other necessary materials, such as plastic aprons, which make it easier to work between the tea bushes.

In Monteviot, too, wages are so low that the pluckers—as everywhere in Darjeeling—are entitled to subsidized basic foodstuffs under the Food Security Act. Here, too, the company offers 35 kilograms of staple foods at the heavily subsidized price of INR 0.47 per kilogram. When asked about their eating habits, the interviews with the 17 workers revealed that those households that earn additional income outside the plantation can afford to eat meat once a week. Malnutrition is a serious problem for households that depend solely on income from the plantation. As in Kalej Valley, a large proportion of workers reported that they depend on planting additional fruit and vegetables for their own food supply. In the interviews, the pluckers also criticized the medical care situation. A doctor does visit the

¹⁸ As indicated by Fairtrade Germany in direct communication with the author.

plantation once a week for an hour, but the company does not pay for treatment at the state hospital in Kurseong.

Many of the houses were wooden shacks with holes in the walls. Workers have used hoses to install water pipes in their housing themselves. The shelters have been neither repaired nor renovated in the last three years. The pluckers praised the childcare facility, which provides constant supervision and a quarter of a litre of milk per child a day.

Another issue which played a role on all the plantations visited came up particularly frequently during the interviews in Monteviot: the fundamental discrimination against women and the lack of equal opportunities between women and men on the plantations. The strenuous work of picking is done by women under time pressure with only a few breaks. Other manual labour tasks, such as cutting bushes, weeding and transplanting bushes, are also partly carried out by women. The better paid jobs in the factories as well as supervision and management are carried out exclusively by men.

What was striking in the interviews was that, unlike the other three plantations visited, the pluckers were very well informed about the role of Rainforest Alliance and Fairtrade. Rainforest has been certifying the plantation since 2015 and provides training for management and some workers' representatives on issues such as workplace safety and wildlife protection. Together with the workers, Rainforest also installed better toilets with waste water tanks. In addition, there are now garbage bins at various points on the plantation. The plantation had been certified since 2007 and the pluckers had positive things to say about Fairtrade. The committee that administered the Fairtrade premium consisted of eight employee representatives and two management representatives. The premium financed a common room, toilets, gas stoves, as well as the construction of water distribution points. In some cases, the committee decided to help individual residents living on the plantation. In one case an individual's cancer surgery was paid for, and in another, a scholarship for school children was financed.

Despite this positive assessment, the pluckers interviewed were generally very critical when appraising management. According to them, when Ambootia took over the plantation from Goodricke in 2003, the conditions deteriorated significantly. The other participants agreed with one worker's statement: "They [the owners] earn millions, and we do not get enough wages." According to the workers, management has done "nothing at all" in the last three years. Due to its proximity to the city of Kurseong, the rate of absenteeism for women workers in Monteviot appears to be particularly high, at least 30 percent according to the estimate of one union representative. This happens because the pluckers are dependent on alternative sources of income to supplement their work on the plantation.



6 Summary

Human rights are being violated

Studies of working and living conditions on the Pandam, Phuguri, Kalej Valley and Monteviot plantations reveal that the rights of pluckers and their families on the tea plantations in Darjeeling are being fundamentally violated in various areas:

The right to decent work is codified in Article 7 of the United Nations Convention on Economic, Social and Cultural Rights (ICESCR). Among other things, it requires a wage sufficient for a decent living, as well as safe and healthy working conditions (United Nations 1966: Article 7). Yet on all four plantations the pluckers and their families were refused access to a living wage. An expert commission appointed by the Indian government has issued a report which recommends a minimum wage of INR 342 in West Bengal, based on the food requirements of households, i.e. a wage that is almost twice as high as the current INR 176 (Government of India 2019: 68). It is difficult to understand why Fairtrade, which refers to living wages in its Hired Labour Standard, has not itself published any calculation of what the wage level in the tea

Investigations of the working and living conditions on the Pandam, Phuguri, Kalej Valley and Monteviot plantations show that the rights of pluckers and their families on the tea plantations in Darjeeling are violated in several ways.



sector in Darjeeling should be in order to cover the basic needs of families on the plantations. Not once on any of the four plantations visited was the minimum wage, which itself is extremely low, fully paid.

The pluckers spend a significant part of their income on work equipment, which amounts to a de facto wage deduction. There are also wage deductions if they do not meet the daily harvest quota specified by management. According to the PLA, both forms of wage deduction are illegal. The direct consequence of these extremely low wages is that many families become indebted. Often they are directly indebted to plantation management, which exacerbates the worker's strong dependence on management in this situation. Conversely, in February 2019 an estimated half of all plantation companies in Darjeeling owed their employees outstanding wages from the last three months (Telegraph India 2019). The situation on the Kalej Valley plantation is particularly remarkable, where the owners have virtually left the workers to their own devices since 2016.

The right to social security is guaranteed by the Indian constitution. However, plantation workers cannot benefit from many corresponding social security programs, since the PLA clearly requires plantation companies to provide basic services (GNRTFN 2016: 71). The studies on the four plantations show that benefits in elementary areas of social care are partially withheld (e.g. old-age provision in

Kalej Valley), inadequately provided (e.g. health care, early childhood care) or not provided at all (e.g. social security in the event of unemployment or disability). The situation is even more problematic for casual workers who do not live on the plantation and could not be interviewed in the context of this study.

The right to adequate food is set out in Article 11 of the ICESCR. The inadequate nutrition of many families on the plantations is a direct consequence of their low wages. The workers on all four plantations visited are dependent on state subsidies for staple foods. One of the workers' main problems is that they have no land use rights over the plantations where some of their families have lived for over 150 years. This limits their ability to grow additional food crops and provide for their own needs. This strategy is sometimes pursued nonetheless. Workers are acutely affected by malnutrition if the plantation management decides to suspend not only the payment of wages but also the distribution of government-subsidized basic foodstuffs, as they did in Kalej Valley. Structurally, the risk of malnutrition particularly affects families who have only a single income on the plantation and have to bear additional costs (e.g. due to illness). These cases are common on the plantations in Phuguri, Pandam and Monteviot.

Women's rights are established in the UN Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) (United Nations 1979). Articles 1 and 11 of the Convention stipulate that women have the same right to decent employment as men. However, this is not the case on the four plantations visited. Women exclusively are responsible for the hard work of picking, weeding and pruning. Almost all positions in management and supervision and the often better paid jobs in the factories are filled by men. A further problem is that women's specific needs are not sufficiently taken into account in their daily work: no protected and hygienic toilets are accessible at the workplace, no relief from work in the event of pregnancy and insufficient care for small children during working hours.

The right to decent housing is codified in ICESCR Article 11. This includes dry accommodation as well as access to drinking water, sanitary facilities, energy for cooking, heating and lighting. The PLA states clearly that it is the company's responsibility to provide and maintain decent housing for the workers and their families. These obligations are grossly violated. Although all workers interviewed have access to clean drinking water, some of them have to walk long distances to fetch it. They do not have access to clean drinking water in the workplace. The sanitary facilities, especially in Kalej Valley, are extremely problematic. On all the plantations, shelters were visited that would not be classified as permanent houses (houses with stone and cement walls) and that had holes in the walls. The households on the plantations often do not have enough money for firewood and oil to provide lighting.



Recommendations

German tea importers are not solely responsible for the extreme exploitation of tea pluckers in Darjeeling. However, they have a partial responsibility since they benefit from the extremely low wages and the enormous difference between the plantations' gate prices and the European retail prices. They also exert an intense pressure on prices. 70 or more percent of the final retail price of Darjeeling tea remains in Germany, while the picker at the bottom of the supply chain receives less than three percent of the final retail price.

Measures are therefore necessary at three levels:

(1) There is no way around the fact that the plantation companies in Darjeeling need to receive a higher **share of the final retail price**. Teekampagne's business model, which not only guarantees the tea producer a 50 percent share of the final price, but also discloses its own price calculation, is exemplary in this regard.

(2) The **rights** of the people who work on the plantations as well as those who live on the plantations must be protected. A minimum level of social security, adequate food, decent housing and, in particular, the rights of women working on the plantations must be enforced. All these issues are closely linked to the fundamental problem of extremely low wages.

(3) German tea importers are therefore responsible for ensuring that the pluckers receive a **higher income**. In Darjeeling, the system of classifying plantations according to quality grades ranging from A to D still applies. The workers receive a bonus payment at the end of each year according to the quality grade of their plantation. These bonus payments could be reformed. German importers could ensure that a more substantial part of the purchase price remains with the pluckers. So far, German tea importers have done little to counteract the exploitation of the tea pluckers. German companies make things too easy for themselves by frequently arguing that they have no influence over wages in Darjeeling. Nor have the importers been proactive about entering into dialogue with the trade unions in Darjeeling up until this point.

The German federal government must act:

Neither the certification programmes of Fairtrade and Rainforest Alliance nor any voluntary commitments made by German companies are sufficient to protect and enforce the human rights of workers on Darjeeling's tea plantations. The **German federal government** is therefore obliged to act. It must ensure that human rights are respected, especially in the countries where tea is produced but also along the entire supply chain. Furthermore, it must ensure that German tea traders are held accountable:

→ The federal government should pass **national supply chain legislation** that obliges transnationally operating corporations based in Germany to respect human

rights. In risk sectors such as tea plantations, such a law should also extend the due diligence duty to small and medium-sized companies from Germany. Tea pluckers and trade unions would need both the ability to file individual and collective lawsuits and access to business decision-making processes that directly affect them. In addition, corporations should in general be able to be held liable according to criminal law.

→ The federal government should advocate for a strong, binding, **UN treaty on business and human rights** that also prescribes the same practice for tea importers from other countries.

→ The federal government must oversee the implementation in Germany of the agreement on geographical indication (GI) to ensure that tea products bearing the label "Darjeeling" contain 100 percent tea from the Darjeeling region.

Governments in India must act:

The **government of the state of West Bengal and the Indian government** in Delhi must guarantee the implementation of the Plantations Labour Act. The PLA's central standards are being violated on all four of the plantations visited. Building on the proposals of Sarkar (2015), there are a number of other recommendations to gradually implement living wages and strengthen the tea sector in Darjeeling:

→ A **raise in the sectoral minimum wage** on tea plantations in West Bengal is urgently needed. As a first step, wages could be matched to those on tea plantations in southern India, which are almost twice as high. At the same time, it is necessary to determine a living wage.

→ On particularly productive plantations in Darjeeling, a further increase in wages is possible. This could be based on **updating the existing bonus system**, which would rate the quality of each plantation's harvest from grade A to D, and determine the amount of the bonus payments based upon that rating.

→ It is necessary to implement a **Tea Plantation Establishment Act** that would serve as a guideline for the management of plantations, supplementing the Plantations Labour Act and in particular strengthening the rights of women on the plantations.

→ The Indian government should enter into negotiations with the other central tea exporting countries (China, Kenya, Sri Lanka, Indonesia) with the aim of setting a **common floor price** for the sale of export tea. In the cocoa sector, a similar collective approach enabled Ghana and Côte d'Ivoire to successfully raise the farm gate prices for cocoa recently.

- The government of the state of West Bengal should invest in the region in order to diversify **jobs** and thus opportunities to generate income. In particular, access to secondary schools on or near the plantations should be improved.

The companies must act:

It is necessary for governments to take action. However, the **German tea importers** are free to take action themselves in order to ensure a socially just and ecologically sustainable production of high-quality Darjeeling tea:

- The example of Teekampagne makes it clear that a sustainable business model consists of paying a **considerable portion of the final retail price to the producers** in India. In addition, tea traders should engage in bilateral negotiations with producers and trade unions and build on the existing system of bonus payments to ensure that the pluckers in their supply chains receive living wages.
- Tea traders that claim to guarantee social justice in their supply chains should engage in a **direct, active dialogue with the trade unions** representing tea pluckers on the plantations. Concretely this means that tea traders must bear the responsibility in cases where massive violations of human rights take place. Rainforest Alliance and Fairtrade certifications cannot replace this kind of dialogue.
- A twofold **transparency** is necessary: On the one hand, all teas in the regulated supply chains must be traceable back to the plantation. The **origin** of the tea should be made public to the consumer. On the other hand, **price margins** should also be made transparent, especially where advertising suggests that the high prices on German shelves benefit the pluckers and their families.



In Darjeeling,
the plantations
are often located
on steep slopes.

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Appendix

Overview of Interviews

Actors		People	Place/Organization
Workers	G1	Group interview with five workers	Kalej Valley Plantation
	G2	Group interview with seven workers	Kalej Valley Plantation
	G3	Group interview with 12 workers	Pandam Plantation
	G4	Group interview with three workers	Pandam Plantation
	G5	Group interview with 12 workers	Phuguri Plantation
	G6	Group interview with 17 workers	Monteviot Plantation
Trade Union Representatives	I1	Anuradha Talwar, General secretary	PBKMS
	I2	Suraj Subba, General secretary	DTDPLU
	I3	Anon., Trade union representative 1	DTDPLU
	I4	Anon., Trade union representative 2	DTDPLU
	I5	Anon., Trade union representative 3	DTDPLU
Producers	I6	Arijit Raha, General secretary	India Tea Association
	I7	Mohan Kumar Chettri, Secretary	Darjeeling India Tea Association
	I8	Anon., Director	Tea Producer 1 Darjeeling
	I9	Anon., Plantation Manager	Tea Producer 2 Darjeeling
Retailer	I10	Anon., Director	Kolkata Tea Retailer
	I11	Anon., Purchasing Manager	German Tea Importer
	I12	Günter Faltin, Majority Shareholder	Teekampagne
Other Actors	I13	Sarah Besky, scholar	University of Michigan
	I14	Anon.	Tea Board of India
	I15	Anon., Consultant	Tea Production expert in Darjeeling



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