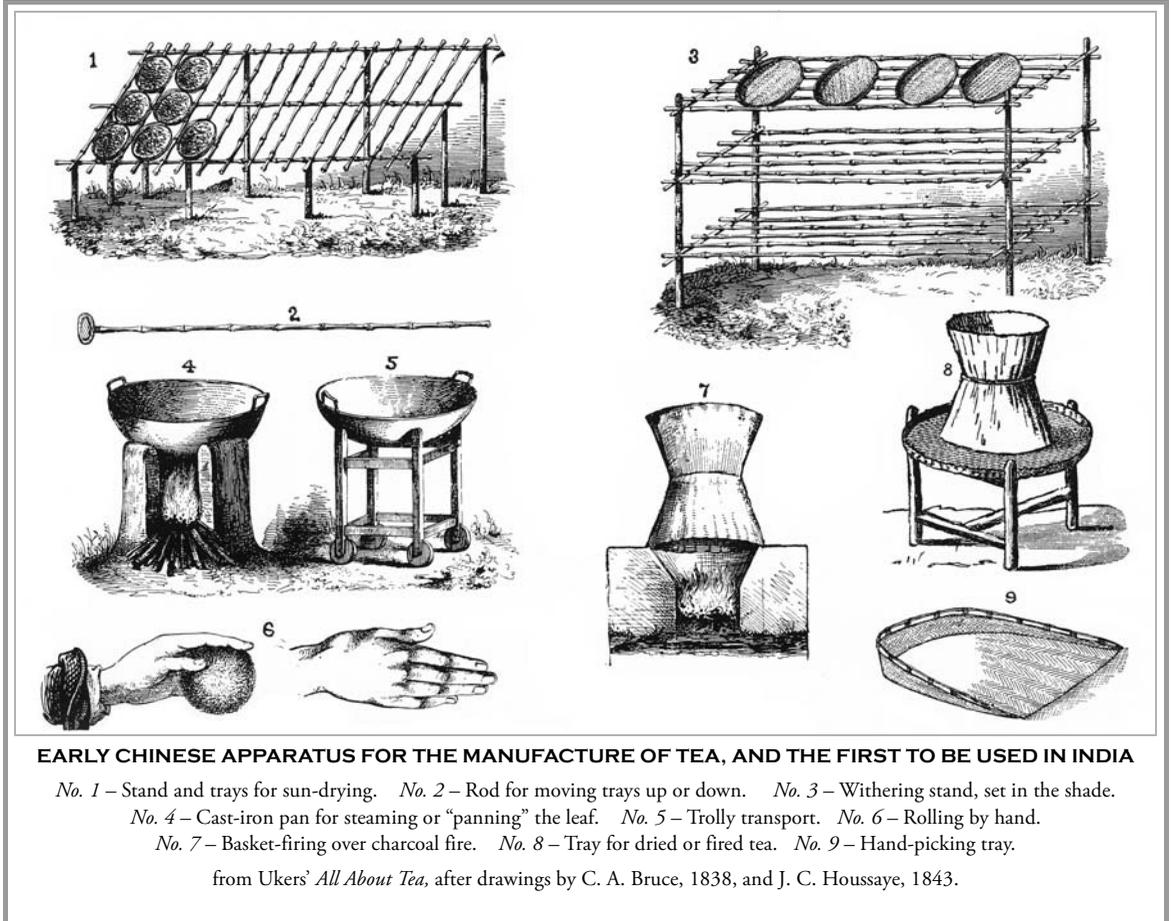


Reversals of Fortune in the Tea Industry

Part XVIII: The Early Years of Tea Production in India



Tea was a mystery to the British when they first set out to produce it in India during the early nineteenth century. Unraveling the mysteries of this uniquely Oriental beverage was no easy task. China vigorously guarded the secrets of tea from all westerners, and those who tried to wrest those secrets from the Chinese did so at the risk of their lives.

But eventually the British succeeded in producing a credible product. They did so with a combination of espionage and entrepreneurship, complemented by a heavy dose of British engineering.

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Reversals of Fortune in the Tea Industry, Part XVIII

When the first British-produced Assam tea was sold at the London tea auctions in January 1839, few realized how difficult it would be to make the Assam venture profitable. The optimistic forecasts of managing directors had set expectations that simply could not be met. Moreover, the challenge of producing a profit seemed to grow faster than their understanding of the process of large-scale tea production.

Investors in London had expected the Assam Company to become profitable soon after its formation. The delays and disappointments that characterized the management term of C. A. Bruce and J. Masters had dashed those hopes and nearly bankrupted the Company. But by 1848, just one year after Bruce and Masters were replaced by Henry Burkingyoung and Stephen Mornay, the Assam Company turned the corner to profitability.

The net profit for 1848 was only £3,000, against a total investment by shareholders of £160,000. But the tide had turned. Four years later the Company paid its "first earned dividend" of 2½ per cent. In the following year, 1853, a dividend of 3 per cent was paid, and Burkingyoung and Mornay retired from the Assam Company.

Burkingyoung and Mornay achieved profitability for the Assam Company by expanding production and by carefully controlling expenses. Their successor, George Williamson, continued these efforts and generated even greater profits by improving crop yields. When the Company declared a 9 per cent dividend in 1856, it became obvious that India tea might actually become a highly profitable enterprise.

By this stage, India tea was attracting the attention of several serious investors. Unfortunately, it was also attracting the attention of naive speculators, schemers and charlatans. By 1860 India tea was the target

of a speculative craze that came to be known as "Tea Mania".

The first private tea company in India had already been established by 1851, and by 1853 there was a total of ten estates under distinct proprietors. Wishing to encourage future development, while at the same time enforcing certain standards, the Government passed the *Assam Clearance Rule of 1854*. Under these guidelines, tracts of land were granted to speculators for tea cultivation on favorable terms, but certain qualifications had to be met. Deposits were required to ensure that proper surveys were conducted, and the property had to be planted to certain levels within a specified period.

Speculators were unhappy with some of the terms of the Assam Rule, but nonetheless nearly 50 private companies had established tea enterprises in Assam, Darjeeling, Cachar, Sylhet, Kumaon, and Hazaribagh by the end of the decade. Those who objected most to the Assam Rule were speculators who had less interest in developing the land than in flipping the property for a quick profit. At least under the Assam Rule, only serious tea planters were likely to benefit from the favorable land terms.

In spite of the growth in the development of tea estates up to 1859, Lord Canning (who became the first Viceroy of India in 1858) modified the Assam Rule in such a way as to encourage even more speculative development by eliminating certain qualification requirements of the original Rule.

Put into effect in 1861, Lord Canning's amendments to the Rule are credited with creating the Tea Mania that led to the financial destruction of many naive speculators and investors from 1861 through 1866.

In *The Industrial Evolution of India in Recent Times* (Oxford University Press, 1938), D.R. Gadgil vividly describes the panic that ensued after Lord Canning modified the original Rule. Referring to the table below, Gadgil states:

The figures for 1869 do not show clearly the feverish growth which took place in the industry during 1859-66. To understand this phase of the industry, it is necessary to see how the industry was conducted at the time. The grants for tea lands in Assam were mostly made in the fifties, under the Assam clearance rule of 1854. These, though they did not protect the rights of the wild tribes inhabiting these tracts, provided against grants being recklessly made to speculators, the guarantees being the deposit for making a proper survey and an obligation to bring a certain portion of land under cultivation in a certain number of years, etc..

This is in contrast to the state of affairs under Lord Canning’s new policy:

A rush of applications followed and an orgy of speculation ensued. The estimates formed by everybody of the future of the tea industry were extremely rosy and, with the relaxation of the rules under which grants of land were made, the way of the speculator became extremely easy. As regards the survey of these grants, Mr. Edgar says: ‘In most cases the compass ameen (i.e., the Government surveyor) sent in a fancy sketch of an almost imaginary tract of land, which was generally found, when the professional survey went over the ground some years later, to bear very little resemblance to the real grant. Sometimes the grant had no real existence whatever, sometimes it was far away, in wilds inhabited by wild tribes who ... would probably have taken the head of the grantee had he attempted to take possession.’ But the grantee generally had no idea of taking possession; what he did was to sell the grant to companies financed in London for the purpose of working tea gardens; and even if the grantee took possession he had no idea of taking tea cultivation seriously.

Some of the egregious examples of the deception that characterized the Tea Mania include: tea gardens of 30-40 acres sold as 150-200 acre estates; gardens just recently planted with young seedlings, that would be unproductive for years, sold as producing estates; and selling “established” estates that were actually uncleared waste land.

The schemes unraveled in 1866, when “all tea property depreciated and all the ‘bubble’ concerns failed.” The tea industry remained in depression for three years, as investors avoided funding any tea enterprise. But those who were really dedicated to the industry and had faith in the future managed to weather the lean years of 1867 through 1870 and emerge even stronger. The glory years were just ahead.

Two myths had to be dispelled before the British tea industry could claim complete success. The first myth was that only China tea plants could be used to produce tea of commercial value. This myth was challenged early by Mr. George Williamson soon after he arrived as manager of the Assam Company in 1853. Upon arrival, Williamson was dismayed by the low yield of most of the tea gardens, and set about to correct the problem.

Williamson observed that one garden in particular, Kachari Pookri, enjoyed greater yields than surrounding gardens. The major difference at Kachari Pookri was that it was planted exclusively with Assam jat. Williamson eventually concluded that China jat, while it may be best for other areas, was not suited to cultivation in Assam. Under his direction, the gardens that had been planted with “cursed China jat” were replanted with indigenous Assam varieties. Ukers refers to this achievement as “one of the most epochal happenings in the history of India tea.”

The second myth that required debunking was that Chinese equipage and techniques were essential for tea production. Once it was accepted that the British were not going to make *Chinese* tea, they were free to concentrate on the mechanized production of Assam

| Year | Estates under distinct proprietors | Acres under cultivation | Output of tea in lbs. |
|------|------------------------------------|-------------------------|-----------------------|
| 1850 | 1 | 1,876 | 216,000 |
| 1853 | 10 | 2,425 | 366,700 |
| 1859 | 48 | 7,599 | 1,205,689 |
| 1869 | 260 | 25,174 | 4,714,769 |
| 1871 | 296 | 31,303 | 6,251,143 |

D.R. Gadgil, *The Industrial Evolution of India in Recent Times*, Cambridge University Press, 1938

The antics of the speculators gave credence to the cynical comment of the times that “it was doubtful whether it would ever pay to make tea, but there was no doubt that it paid to make the gardens.”

tea on a commercial level, and on a scale that few thought possible.

Ukers (*All About Tea*) dedicates significant space to tea manufacturing machinery and their inventors. One of the most prolific contributors in this area was Samuel (S.C.) Davidson, whom Ukers says “will always be held in grateful remembrance by the tea planting industry.”

Davidson’s father bought an interest in the Burkholia Tea Estate in Cachar in 1864, during the Tea Mania. Samuel arrived at the estate later that year, and he was shocked to see how labor intensive and primitive tea production was, as illustrated by the inset.

The frenetic activity during the Mania had exhausted the labor pool and artificially raised wages to double the going rate, making it more difficult for productive estates like Burkholia to operate. Samuel knew that survival would require change. A keen interest in

engineering helped him envision a modern tea factory, where better, more consistent, and cheaper tea could be made.

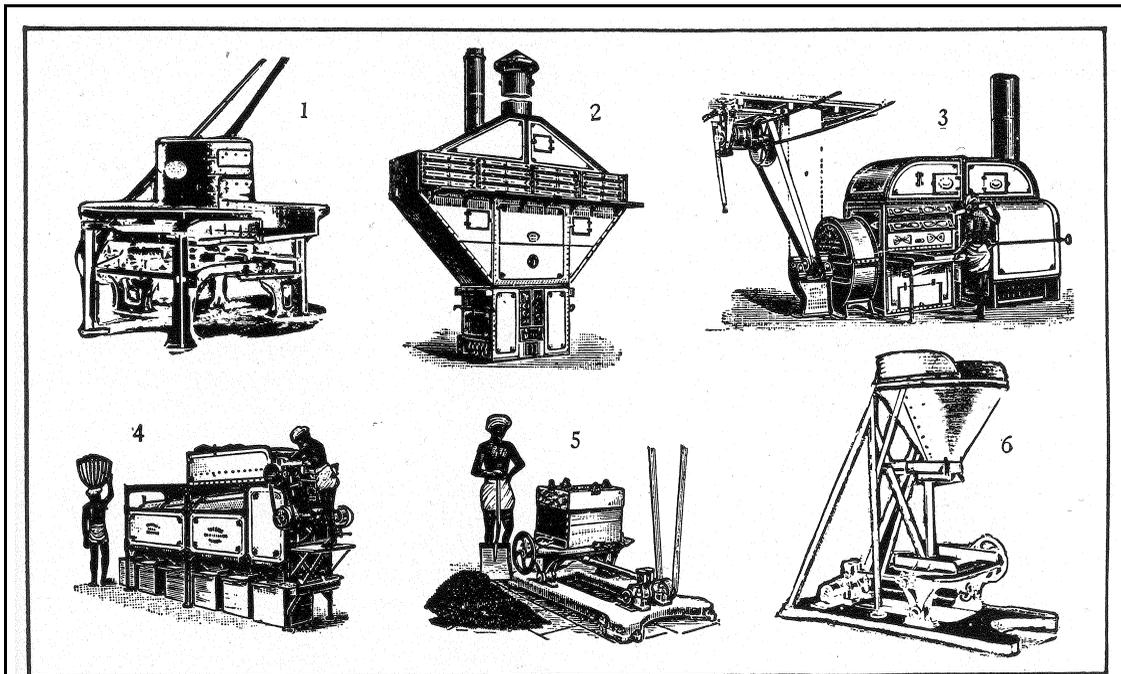
Samuel bought the shares of his father’s partner so he could have a greater stake in the operation, and when his father died in 1869, he became sole proprietor. That same year he designed his first hot air tea dryer.

Davidson foresaw a bright future in designing machinery for the industry, so he sold his estate in 1874 to concentrate exclusively on tea manufacturing equipment. Five years later he returned to Belfast and founded the Sirocco Engineering Works, which employed 1,000 workers by the end of the century. Davidson was knighted a few months before his death in 1921.

Our series on *Reversals of Fortune in the Tea Industry* will continue in the next issue of the *Upton Tea Quarterly*.



Chinese method of drying tea in India



A GROUP OF EARLY DAVIDSON MACHINES

1. “Sirocco” tea roller. 2. Up-draft “Sirocco” drier. 3. Down-draft “Sirocco” drier. 4. Large tea sorter. 5. Tea packing machine. 6. Packing machine with hopper.

from *All About Tea* by William Ukers, published in 1935 by *The Tea and Coffee Trade Journal*