

PUBLIC ACCOUNTS COMMITTEE
(1973-74)

(FIFTH LOK SABHA)

HUNDRED AND THIRTIETH REPORT

COFFEE BOARD

[Audit Reports on the Accounts of Coffee Board for
the years 1965-66 to 1971-72]



LOK SABHA SECRETARIAT
NEW DELHI

April, 1974/Chaitra, 1896 (5)

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<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
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Date..... 20.8.74.....

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held on

- 12-10-1973 (F.N.)
- 12-10-1973 (A.N.)
- 22-4-1974 (A.N.)

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(1973-74)**

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SECRETARIAT

Shri M. S. Sundaresan—Deputy Secretary.

Shri T. R. Krishnamachari—Under Secretary.

*Elected on 29-11-73 *vice* Shri D. S. Afzalpurkar died.

@Ceased to be member of the Committee consequent on retirement from Rajya Sabha
w.e.f. 2-4-1974.

INTRODUCTION

1. the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundred and Thirtieth Report (Fifth Lok Sabha) on Audit Reports on the Accounts of Coffee Board for the years 1965-66 to 1971-72.

2. The Audit Reports on the Accounts of the Coffee Board for the years 1965-66 to 1971-72 were laid on the Table of the House on the 14th November, 1967, 12th March, 1968, 14th May, 1969, 2nd September, 1970, 14th July, 1971, 18th April, 1972 and 23rd November, 1973 respectively. The Committee considered and finalised this Report at their sitting held on 22nd April, 1974. Minutes of these sittings form Part II* of the Report.

3. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report (Appendix). For facility of reference these have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the examination of the Audit Reports by the Comptroller & Auditor General of India.

5. The Committee would also like to express their thanks to the Ministry of Commerce and the Coffee Board for the cooperation extended by them in giving information to the Committee.

NEW DELHI;

April 25, 1974

Vaisakha 5, 1896 (S).

JYOTIRMOY BOSU,

Chairman,

Public Accounts Committee.

*Not printed (one cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

REPORT

CHAPTER I

RECEIPTS AND PAYMENTS

Audit Reports on the Accounts of Coffee Board for 1965-66 to 1971-72

1.1. The Coffee Board is a statutory Body established under the Coffee Act, 1942. The functions assigned to the Coffee Board under the Coffee Act are the following:—

- (1) The promotion of the sale and consumption in India and elsewhere of the coffee produced in India.
- (2) The promotion of agricultural and technological research in the interest of the coffee industry;
- (3) Assistance to coffee estates for their development;
- (4) The securing of better working conditions and the provision and improvement of amenities and incentives for workers; and
- (5) The working of the measures enumerated in the Coffee Act relating to the operations of the Surplus Pool.

1.2. The Board consists of a Chairman appointed by the Government of India and 32 members representing various interests as provided under Section 4(2) of the Coffee Act read with Rule 3 of the Coffee Rules, 1955. The membership is distributed among the different interests as follows:—

Coffee Growing Industry	12 members (6 for large growers and 3 each for small and Robust Growers respectively)
Curing Establishment	1 member
Labour	4 members
Coffee Trade	3 members
Coffee Consumers	3 members
Members of Parliament	3 members (2 from Lok Sabha and 1 from Rajya Sabha)
Governments of the States of Mysore, Tamil Nadu and Kerala	3 members (each of whom represents the respective State Government)
Other Interests	3 members

Section 30 of the Act envisages the maintenance of two separate Funds by the Board, viz., (i) the General Fund and (ii) the Pool Fund.

(i) General Fund

This is credited with the amounts of grants paid by the Union Government under Section 13(1) of the Coffee Act out of the proceeds of Excise and Customs Duties levied on Coffee. Loans given by the Government of India to the Coffee Board for implementing the Plan for increasing coffee production are also credited to this fund. Expenditure on the Administration, Propaganda, Development and Research Departments of the Coffee Board is debited to this Fund.

(ii) Pool Fund

This incorporates the transactions relating to the pooling of coffee, produced by the growers and its centralised marketing. The accounts are closed on the basis of a coffee season. The dates of opening and closing the accounts of this fund from 1965-66 onwards are shown below:—

Year	Date of opening	Date of closing
1965-66	1-8-1965	30-6-1967
1966-67	1-10-1966	30-6-1968
1967-68	1-1-1968	30-6-1969
1968-69	1-1-1969	30-6-1970
1969-70	1-1-1970	30-6-1971
1970-71	1-1-1971	31-12-1972

Working Results

1.3. According to the Audit Reports of the Accounts of the Coffee Board for the years 1965-66 to 1971-72, the receipts and payments under broad categories were:—

1. GENERAL FUND

<i>Receipts</i>	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72
	(in lakhs of rupees)								
Opening Balance	33.22	23.78	11.41	4.55	6.51	18.10	12.93	13.33	9.63
Grants from Govt. of India	15.95	18.20	31.45	26.67	25.68	33.63	42.97	44.56	40.68
Loans from Govt. of India	8.00	11.28	13.50	31.00	16.63	13.60	26.50	21.18	34.39
Miscellaneous Receipts (Mainly by Sale of Coffee through Propaganda Department)	172.88	198.75	225.48	209.74	201.81	208.18	201.29	376.69	317.66
Other receipts	6.96	10.77	17.81	31.79	32.96	41.19	42.03	52.06	41.59
Total	237.01	262.78	299.65	303.75	283.59	316.70	325.72	507.82	443.95
<i>Payments</i>									
Administration charges	19.57	10.29	11.71	10.10	11.13	12.00	16.18	18.68	22.64
Expenditure of propaganda department for increasing the sale and consumption of coffee including purchase of coffee & chicory	152.35	185.71	212.41	192.78	172.27	183.40	179.84	341.51	281.91
Expenditure by the Research Department	22.47	26.26	35.80	32.35	37.38	41.02	41.89	50.87	47.61
Loans to Growers	11.19	20.80	27.95	55.87	35.71	55.93	47.68	67.64	66.12
Repayment of loans to Government of India	..	..	0.11	0.68	1.25	2.24	4.34	5.08	6.10
Other payments	7.65	8.31	7.12	5.46	7.75	9.18	22.46	14.41	14.48
Closing Balance	23.78	11.41	4.55	6.51	18.10	12.93	13.33	9.63	5.09
Total	237.01	262.78	299.65	303.75	283.59	316.70	325.72	507.82	443.95

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Note. —The sum of Rs. 11.71 lakhs under Administration charges—General Fund (1965-66) includes an outlay Rs. 2.36 lakhs on the construction of Administrative Building for the Boards Offices.

II-Pool Fund
(CROP-SEASON)

	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
	1	2	3	4	5	6	7	8	9	10	11
	(In lakhs of rupees)										
<i>Income</i>											
Sale of Coffee	1900.55	1568.50	1855.14	2655.87	2484.56	2857.34	3363.06	2844.48	3305.01	4096.63	5108.21
Miscellaneous receipts	4.66	1.84	1.83	1.01	3.29	8.92	5.03	3.45	11.74	5.53	8.37
Total	1905.21	1570.34	1856.97	2656.88	2487.85	2866.26	3368.09	2847.93	3316.75	4102.16	5116.58
<i>Expenditure</i>											
Pool Payments to big growers.	1336.15	1051.83	1253.04	1720.49	1629.93	1822.24	2023.65	1730.79	2191.27	2402.07	2818.48
Pool Payment to small growers.	412.37	387.38	451.94	762.25	715.80	890.88	1090.20	912.53	1079.37	1456.61	1903.41
Excise Duty Payable under Section 12 of the Coffee Act	17.57	12.88	16.61	17.78	18.56	16.99	19.44	14.45	19.33	15.85	30.00
Remuneration to Agents	£39.94	26.61	31.39	41.62	36.49	39.89	51.15	41.80	52.70	56.33	74.06

	1	2	3	4	5	6	7	8	9	10	11
Cost of storing, Transport and Marketing	29·69	23·20	27·22	30·98	31·76	35·91	41·05	30·65	35·55	31·62	74·94
Administration	12·82	12·62	16·37	17·02	20·54	21·96	27·58	29·14	33·25	33·16	40·67
Other payments	38·81	28·26	28·44	33·70	24·29	36·73	71·00	53·02	72·60	68·97	172·80
Excess of Income over expenditure	17·66	27·56	31·96	33·04	10·48	1·66	44·02	35·55	32·68	37·55	2·22
Total	1905·21	1570·34	1856·97	2656·88	2487·85	2866·26	3368·09	2847·93	3516·75	4102·16	5116·58
Average sale value per 50 kg realised in Pool (Excluding Central Excise Duty)	144·10	172·00	166·70	193·62	206·50	227·40	217·20	242·40	241·90	325·00	234·05

(Audit Report on the Accounts of Coffee Board for the years 1965-66 to 1971-72)

In a statement furnished to the Committee, expenditure on Administration of Marketing was Rs. 50·78 lakhs during the year 1971-72, which include an amount of Rs. 13·12 lakhs on salaries, Rs. 21·15 lakhs on Allowances and Rs. 13·38 lakhs on contingencies.

1.4. The Committee note from the Accounts of the Coffee Board that the expenditure on Administration met from the General Fund (grants paid by Government from proceeds of excise duty) increased from Rs. 19.57 lakhs in 1963-64 to Rs. 22.64 lakhs in 1971-72 i.e. by 15.6 per cent. But the expenditure on the Administration on Marketing which is met from the Pool Fund (credited from transactions relating to marketing of coffee) increased from Rs. 17.02 lakhs in 1963-64 to Rs. 50.78 lakhs in 1971-72 i.e. by 198.3 per cent. The Committee feel that there is need to keep a close watch on the administrative expenditure met out of the pool fund. The Committee desire that the Board should take necessary measures to effect economy in expenditure on allowances and contingencies.

Audit Paragraph

1.5. As seen from the details of appropriation of undisbursed surplus (undistributed Pool payments) of previous seasons, the balance of surplus for 1964-65, 1965-66 and 1966-67 seasons has been transferred as 'Miscellaneous Receipts' to the Income and Expenditure Account of Pool Fund Account No. 25 for 1968-69 season as indicated below:

Season	Amount transferred
	Rs.
1964-65	4,50,180
1965-66	26,685
1966-67	4,40,495

These amounts will be available for distribution to the growers who delivered coffee to the Pool for 1968-69 season. But according to rule 34(2) of the Coffee Rules 1955 accounts of the pool fund have to be maintained separately for each season and payments have to be made to the growers out of that amount for each season. Carry forward of the undistributed surplus and merging it with the pool fund accounts of the next season is not contemplated in the Act/Rules. However, section 32(2) of the Coffee Act permits the transfer of excess in pool fund to general fund with the previous sanction of Central Government. The Board has not done this. This undistributed surplus has been transferred to the 'Miscellaneous Receipts' in the Pool Fund itself.

(Paragraph 3 of the Audit Report on the Accounts of Coffee Board for 1969-70).

1.6. Section 32(2) of the Coffee Act is reproduced below:—

“(2) Subject to the provisions of Sub-section (4) of Section 13, the Pool Fund shall be applied only to:

- (a) the making to registered owners of estates of payments proportionate to the value of the coffee delivered by them for inclusion in the surplus pool;
- (b) the costs of storing, curing and marketing coffee deposited in and of administering the surplus pool;
- (c) the purchase of coffee not delivered for inclusion in the surplus pool;

Provided that where, after the requirements of the Clauses of the Sub-section have been met there remains any excess in the Pool Fund, the Board may, with the previous sanction of the Central Government, transfer the whole or any part of such excess to the credit of the General Fund."

1.7. In a reply it has been stated that "the provision in the Act to transfer the whole or any part of the excess is discretionary and the Board in its discretion has not so far considered it necessary to transfer the insignificant balances to the General Fund. The matter is being taken to the full Board for a decision."

1.8. Section 32(2) of the Coffee Act, permits the transfer of excess in the pool fund (left after meeting expenditure on payments to growers, storage, marketing etc.) to the general fund. The Coffee Board has not yet considered it necessary to transfer excess amounts pertaining to the years 1964-65, 1965-66 and 1966-67. The Committee desire that an early decision in this regard should be taken by the Board.

Vehicles of the Coffee Board

1.9. The following statement shows the Coffee Board's vehicles for the years 1970-71, 1971-72 and 1972-73.

Particulars	1970-71		1971-72		1972-73		
	Car	Jeep	Mini Bus	Car	Jeep	Mini Bus	Mini Bus
At Head Office	3	—	—	4	—	—	4
At Sub-Offices	—	—	—	—	—	—	—
Research Department	2	10	—	2	11	—	5
Special Officer (Promotion) New Delhi	1	—	—	1	—	—	1
Marketing Sub-Offices	—	8	—	9	—	—	11
Mobile Squad	—	—	—	1	—	—	1
ECO (Agency) Cell	—	—	—	—	—	—	1
Security Officer and Asstt. Security Officer	—	1	—	2	—	—	2
TOTAL	6	19	—	18	22	—	26

The details of Petrol consumption and expenditure on Petrol consumption are given below.

Year	Petrol Consumption Qty. in Litres	Expenditure Rs.
1970—71	91,732	1,10,078
1971—72	1,05,367	1,49,294
1972—73	1,24,777	1,83,422

1.10. The Junior Liaison Officers of the Research Department are provided with 13 motor cycles which are about 10 to 15 years old and it is proposed to gradually replace the motor cycles with jeeps. The Senior Liaison Officers of the Research Department are provided with jeeps and it is proposed to replace these jeeps with cars.

1.11. The Coffee Board is not maintaining its account on commercial lines, where the depreciation is provided for capital assets and Reserve funds created. On the other hand, it is maintaining receipts and payments accounts every year, just like any other Government institution. Expenditure on capital assets are charged to the capital Heads of the respective year's accounts. Finally when the capital asset becomes unserviceable or obsolete it is auctioned and the residual value taken to account as miscellaneous receipts. As such no separate depreciation account is being maintained.

1.12. The Committee are concerned to note that the number of vehicles of the Coffee Board has increased from 25 in 1970-71 to 42 in 1972-73. The Committee feel that the justification for the increase in the number of vehicles needs examination. The Board proposes to add more vehicles to the fleet by replacing motor cycles provided to the Junior Liaison Officers of the Research Department by jeeps gradually and by replacing jeeps provided to the Senior Liaison Officers with cars. In the context of the present need for economy in the consumption of petrol, the Committee desire that before adding new vehicles to the fleet, the Board should consider whether the actual requirement justifies the need. It should be carefully examined whether there is need for 4 cars for the Officers of the Board at Head Office and one car for the Special Officer (Promotion) in New Delhi. The Committee would like to be informed about the economy effected in reducing the number of vehicles. The Committee however feel that the field staff should get scooters or Motor Cycles so that they can undertake intensive touring.

1.13. The Committee would like to be informed whether the expenditure on purchase and running of vehicles provided to the departments other than marketing is provided from General Fund. If the expenditure is met out of the Pool Fund, the justification therefor may be explained.

CHAPTER II
PRODUCTION AND DEVELOPMENT

2.1. The following table shows the area under cultivation of Coffee during the years 1947-48 to 1971-72:

Year	Area in Hectares		
	Arabica	Robusta	Total
1947-48	67413	21149	88562
1948-49	67453	21977	89450
1949-50	66445	24449	90894
1950-51	67613	24910	92523
1951-52	67996	27285	95281
1952-53	68125	29032	97157
1953-54	68279	31391	99670
1954-55	67712	34546	102258
1955-56	65575	37397	102972
1956-57	61527	40353	105380
1957-58	66455	42191	108646
1958-59	67637	42548	110195
1959-60	70446	48908	119354
1960-61	70650	49671	120321
1961-62	72388	52306	124694
1962-63	72965	53323	126288
1963-64	75283	54138	129421
1964-65	77602	52128	129730
1965-66	78365	50630	128995
1966-67	77684	50332	128016
1967-68	76739	51736	128475
1968-69	79222	51560	130782
1969-70	78235	52547	130782
1970-71	81974	54479	136453
1971-72	84362	55116	130478

Of the total area in 1971-72, 61 per cent is in Karnataka State, 22 per cent in Kerala, 16 per cent in Tamil Nadu and the balance 1 per cent in other States like Andhra Pradesh, Assam, Orissa and Maharashtra.

2.2. The Committee desired to know whether the Board had prepared any targetted programme for expansion of area under Coffee cultivation. The Chairman, Coffee Board stated during evidence: "Till now, there were certain limitations imposed on member-countries of the International Coffee Organisations of which India has been a member and is continuing as a member. When the control measures are fully in operation, there was an indication that no member country should expand its coffee-territories, thereby adding to the burdens of marketing of such coffees in the world markets. But a predominantly agriculture-based country like ours cannot fully subscribe to such a thing; and we have been encouraging the marginal development of coffee estates wherever it is possible. The ecological conditions that are required for coffee production are prevalent only in certain tracts, particularly in the south; now, more recently in the Andhra Pradesh area, the adjoining area of Orissa and the Visakhapatnam zones. Recently under the Rehabilitation Ministry's instructions, in order to repatriate and rehabilitate some of the Ceylon repatriates, each of these four States has been encouraged to bring in about 1000 to 15000 acres of coffee area, that is, new area into cultivation. We have closely associated ourselves with such programmes. We have given technical clearances for these areas, and this is being carried on.

2.3. In regard to increasing the area, there are a number of plantations, particularly in the small and medium sector—I am speaking of 50 acres and below—where marginal areas have been left fallow and are not being brought into economic cultivation levels at all. For this purpose, recently, Government have relaxed the developmental loan schemes by which even such fallow lands will be given necessary financial assistance by the Board in order to bring them under coffee production.

In a written reply, it has been stated that the area under cultivation in the traditional coffee growing states is expected to show an annual increase of 5 per cent in the next 5 years. The Board has a proposal to grant loan-assistance to small growers for extending their area under cultivation on a limited scale. Commercial scheduled banks with the backing of the Refinance Corporation are offering loans to planters for new cultivation, subject to the suitability of the available land for coffee. Schemes for development of coffee plantations including new cultivation being implemented by Co-operative Land Development Banks in some areas. The Board is rendering whatever technical help is necessary for the successful implementation of these schemes.

Besides Karnataka, Tamil Nadu and Kerala States which have hitherto been the traditional coffee growing states, Andhra Pradesh is also emerging as an important coffee producing state, where the acreage is expected to go up by 10,000 acres by the end of the 5th Plan period. It is proposed to extend the loan facilities available from the Board to coffee growers in Andhra Pradesh, of whom the small growers sector is made up mostly of tribal cultivators.

Coffee cultivation in Assam, Orissa and West Bengal is still in the experimental stage.

The area under cultivation in India now stands at about 3,49,600 acres (1,39,804 hectares). The target area at the end of the 5th Plan period (1978-79) is expected to be 3,74,600 acres or 1,51,660 hectares.

2.4. The Committee desired to know about the expansion programme in Andhra Pradesh. In a written reply, it was stated that up to the year 1961, Coffee Cultivation in Andhra Pradesh was confined to small patches of 10 to 100 plants each grown by tribal agriculturists owning small plots of 1½ to 2 acres each, adding up to a total of about 1,200 holdings with a total area of about 100 acres (40 hectares).

Cultivation of coffee on a plantation scale was started with the State Forest Department launched a scheme in 1961 to bring about 1,200 acres of forest land under coffee. This scheme has since been enlarged in conjunction with the schemes for the rehabilitation of repatriates of Indian Origin from Sri Lanka. The position regarding present acreage and future programme is given below:

	Acres
(1) Forest Area already opened to coffee under 1961 Scheme	1,22
(2) Forest Area to be planted, under Scheme for settling Sri Lanka repatriates (1972-73 to 1978-79)	2,025
(3) Area to be planted with coffee in tribal holdings (1974-75 to 1978-79)	5,000
(4) Forest Area to be planted with coffee under a second scheme for settling Sri Lanka repatriates (1974-75 to 1978-79)	3,000
TOTAL	11,254

Allowing for possible marginal expansion by tribal cultivators, it is expected there will be about 12,000 acres (4,856 Hectares) under Coffee Plantation in Andhra Pradesh at the end of the V Plan period.

The Coffee Board has also deputed a technical Officer to the State Forest Department to render necessary technical advice. The Board has also opened a Coffee Demonstration Farm, a Coffee Collecting Depot and also

652 L.S.—2.

a regional office in Andhra Pradesh. A proposal to throw open the Board's Development Loan Schemes to tribal cultivators in the area is under the consideration of Government of India.

2.5. According to a note furnished by Forest Department of Andhra Pradesh to the Study Group of the Committee with the encouraging results achieved in the large scale introduction of Coffee in this region, a rough survey of the potential Coffee areas in the Agency areas in Visakhapatnam and East Godavari Districts was undertaken by the Forest Department to plan for further expansion. This survey indicated that about 15000 to 16000 acres of suitable area are available in Visakhapatnam and East Godavari Districts for profitable introduction of Coffee.

With reference to coffee cultivation in Orissa the position is as follows:—

- (1) Total planted area is about 400 acres, comprising plantations established at different centres to find out the possibilities of successful cultivation in various ecological zones.
- (2) 4 Officers deputed by the State Government have been given specialised training in coffee cultivation by the Board's Research Department.
- (3) The Board has suggested to the State Government to provide adequate funds for the proper maintenance of the experimental plantations.

2.6. The Committee are disappointed to know that there has been only marginal increase in the area under Coffee cultivation since Independence. The area has increased from 88,562 hectares in 1947-48 to 1,39,478 hectares in 1971-72. The Committee understand that until recently there were limitations imposed on the member countries of the International Coffee Organisation on the expansion of area under coffee cultivation (The agreement expired on 1st October, 1973).

2.7. At present 61 per cent of the total area under coffee cultivation exists in Karnataka State, 22 per cent in Kerala and 16 per cent in Tamil Nadu and the balance of 1 per cent in other States like Andhra Pradesh, Orissa etc. In Andhra Pradesh, as a result of a scheme launched by the Forest Department in 1961 only 1200 acres have been opened to coffee cultivation. It is proposed to increase the area to 12,000 acres in that State by the end of the 5th Plan. Coffee cultivation has still been kept in an experimental stage in Assam, Orissa and West Bengal. The Committee are not at all satisfied with the progress made so far to expand areas under coffee.

2.8. The Committee desire that the Coffee Board should immediately draw up a time target plan for expansion of area of Coffee in consultation with the State Government concerned.

2.9. In Andhra Pradesh where the results of Coffee Production are encouraging and a survey undertaken by the Forest Department has indicated that about 15,000 to 16,000 acres are available in Viskhapatnam and East Godavari Districts for profitable introduction of Coffee, necessary steps should be taken to ensure that this area is brought under Coffee cultivation according to the plan and the State Government assisted financially to the extent necessary. This is more necessary for the reason that it will help extremely backward areas and tribals and other backward communities living on them. The Committee desire that the Ministry of Home Affairs (Tribal Welfare) should take advantage of Coffee development in the area to make a dent in the problems of high unemployment amongst the tribals, low wages and lack of medical, housing and other amenities.

2.10. In the States of Assam, West Bengal and Orissa where Coffee production is still in a somewhat experimental stage, the Committee stress that research efforts should be intensified to make coffee production a success within the shortest possible time. Thereafter necessary steps should be taken to expand the area under production.

2.11. The Committee stress that the Government should take note of the rise in price of Coffee in the World Market in the recent years. In view of the fact that the Coffee production is expected to be a profitable commercial proposition, adequate allocation should be made for the development of the Industry in the Five Year Plan.

Production

2.12. The following table shows the trend in the total production of Coffee from 1947-48 to 1972-73:

1	Production in tonnes		
	2	3	4
	Arabic	Robusta	Total
1947-48	7082	8972	16054
1948-49	19138	3526	22664
1949-50	12928	7921	20849
1950-51	15511	3382	18893
1951-52	14621	6955	21576
1952-53	12944	10999	23943
1953-54	23105	6924	30029
1954-55	16425	9002	25427
1955-56	22965	12060	35028

1	2	3	4
1956-57	298 72	12700	42572
1957-58	29775	14715	44490
1958-59	25580	21335	46915
1959-60	32300	17490	49790
1960-61	39526	28643	68169
1961-62	29270	16766	46036
1962-63	33923	22294	56217
1963-64	39051	30269	69320
1964-65	42304	18567	60901
1965-66	38331	25530	63861
1966-67	41850	36623	78473
1967-68	37509	19822	57331
1968-69	49621	23809	73430
1969-70	37800	25800	63600
1970-71	58400	51900	110300
1971-72	44100	24900	69000
1972-73	60000	27000	87000

(Estimate)

2.13. The total world production during the years 1967 to 1971 was as follows:

	(In tonnes)
1967	4,440,800
1968	3,817,400
1969	4,344,600
1970	3,985,300
1971	4,904,500

2.14. The Committee desired to know the reasons for fall in production during the years 1971-72 and 1972-73. In a written reply, the Ministry of Foreign Trade (Coffee Board) stated: "Coffee being a perennial plantation crop, the production is very much influenced by the very inherent bearing nature of the plant, and the seasonal weather conditions that prevail during the crop season and the year preceding it.

It is also a fact that a lean crop follows a good crop. Following a crop of 73,430 tonnes in 1968-69, the production in 1969-70 was 63,619 tonnes. According to the biennial pattern of coffee production, the production in 1970-71 should normally be higher. It was not only higher, but also it reached an all-time high. The 1970-71 production is to be considered as abnormal. The factors responsible for the bumper production are (a) the favourable weather conditions that prevailed during 1969-70 and 1970-71 and (b) the contribution of Robusta, the production of which is erratic in nature, the maximum crop in the year 1970-71 being 51,900 tonnes.

It is quite natural that the plants get quite exhausted after yielding a bumper crop and they require a couple of seasons to build up their reserves once again. It is but logical to expect a poor crop during 1971-72 and the production in 1971-72 has been considerably less than the preceding year's bumper crop. The crop in 1972-73 has been better than the crop in 1971-72 showing that the plants had recouped.

Quinquennial production averages for 1960-61—1964-65 and 1965-66—1969-70 work out to 60,128 tonnes and 67,343 tonnes respectively. This shows that there is an increasing trend in production. It may be more appropriate to take quinquennial averages instead of comparing production figures for two or three successive years only.

2.14(A). The Committee desired to know the steps taken or proposed to be taken by the Board to avoid fluctuations in production. The Chairman, Coffee Board stated: "There are only two areas in which we can really regulate such fluctuations if at all. The first is control over blossom showers by setting up sprinkler irrigation equipment, subject to availability of adequate water during the months of March and April. As you know, coffee blossoms out during these two months, essentially due to blossom shower which occurs for a period of a week or ten days. If this blossom shower fails, the blossoms fail to appear, and the entire crop for the succeeding year depends upon whether the blossoms came out during that particular period or not." So, the only method of combating such failure of nature would be to set up sprinkler equipment by extensive pipeline laid out in the estates; of course, this again depends on whether

you have a water source at all nearby. In quite a few estates, this water source is lacking. But wherever valleys are there and bonds have been put up and water has been found, such sprinkler equipment has been encouraged. In fact, one of our development loan schemes envisages the giving of extensive loans for equipping each of the estates with such sprinkler equipment. Then, we come to the small growers' Sector where such heavy investment will be almost impossible and we are encouraging in this regard a co-operative set up so that a group of such estates may join together, and with our assistance, be able to set up sprinkler equipment. So, this one way of controlling such vicissitudes in the production pattern.

The second method is to increase the fertiliser inputs in Robusta and Arabicas, especially in the smaller holdings. Of course, unscientific approach in the application of fertilisers, particularly in the small sector, has also been responsible to some extent for these fluctuations in production. The third point is to continue unrelenting pressure on pests and diseases to prevent crop losses due to leaf-rust and foliar rot, green-bug and mealy bug. This has been continuously done by our research department and our extension services which are interlinked with the research staff.

2.15. In a written reply it is stated the total area benefitted under irrigation scheme is 42,991 (7,385 acres for small growers and 35,606 acres for large growers). Since good perennial water source on an estate or in the proximity of an estate is the principal pre-requisite for setting up of a sprinkler irrigation unit on an estate, not all the holdings under coffee could be brought under sprinkler irrigation. It is estimated that out of 3,39,600 acres of coffee, only about 80,000 acres are irrigable. Based on the above irrigable area under coffee, the percentage of the area that has been covered under Sprinkler Irrigation, works out to a little over 50 per cent.

2.16. The Committee desired to know the steps taken by the Board to increase fertiliser inputs. In a written reply, it has been stated: "The fertiliser requirements of the entire coffee plantation industry are estimated by the Board on the basis of the dosage and number of applications which the Research Department of the Board would recommend to individual planters to secure maximum production. The annual requirements thus estimated are placed before the Ministry of Agriculture, Government of India, urging the Ministry to allot the estimated quantity in full to the industry. The allotment is made by the Ministry to the Board according to availability of stocks on quarterly basis. The Board in turn re-allots the quantity to approved distributors.

2.17. The following table shows the average yield per hectare from 1947-48 to 1971-72:

Average yield in Kg/ha

Year	Arabica	Robusta	Average
1947-48	104	408	177
1948-49	282	153	250
1949-50	192	320	227
1950-51	228	131	202
1951-52	213	240	223
1952-53	190	370	244
1953-54	338	208	296
1954-55	242	261	249
1955-56	350	323	340
1956-57	459	315	404
1957-58	448	349	409
1958-59	378	501	426
1959-60	459	358	417
1960-61	559	577	567
1961-62	404	320	369
1962-63	465	418	445
1963-64	519	559	536
1964-65	545	357	469
1965-66	489	504	495
1966-67	539	728	613
1967-68	489	383	446
1968-69	626	462	561
1969-70	483	491	486
1970-71	712	953	808
1971-72	522	454	495

2.18. The yield per hectare has gone up from 535.62 Kg. per hectare in 1963/64 to 645.26 Kg per hectare in 1972/73 season, a net increase of 20.47 per cent.

2.19. The average yield per hectare in some important countries and India for the period 1967 to 1971 is as follows:

Country	Average yield per hectare (In Kg) 1967 to 1971
Costa Rica	1271·96
El Salvador	970·07
Guatemala	671·38
Bolivia	751·02
Brasil	443·11
Columbia	552·29
India	585·30
Indonesia	483·82
Mexico	544·31
Ivory Coast	398·11
Guyana	975·00

2.20. The Chairman, Coffee Board stated during evidence: "Our average is 585.3 which certainly looks little lower than some countries like El Salvador, Bolivia, etc. We find that our production can be increased and we will be able to increase it in the coming years with all the steps that we are taking now through our Development Department and the Research Department with better seeds being distributed, better skill being inducted. With all these things I am sure we will be able to touch the world average."

2.21. In a written reply it has been stated India's average yield (585.30 Kg. per hectare) compares favourably with the yield of some important producing countries like Brazil (443.11 Kg/ha), Colombia (552.29 Kg/ha), Mexico (544.31 Kg./ha) and Ivory Coast (398.11 Kg/ha).

The state-wise yield of Arabica and Robusta per hectare (in Kg.) is as follows:

Year	1969-70		1970-71		1971-72	
	Arabica	Robusta	Arabica	Robusta	Arabica	Robusta
Tamil Nadu	297·95	635·49	244·08	881·94	310·78	602·05
Karnataka	574·56	603·32	905·06	1251·78	608·73	577·12
Kerala	260·61	367·91	401·34	680·81	369·11	325·31

2.22. The Committee enquired about the reasons for lower yield per hectare in Tamil Nadu and Kerala. The Director of Research stated: "The main reasons for this difference in production in various regions are that we do have naturally variations in ecological conditions, rainfall pattern, frequency of the blossomed crops, and technical and other skills which vary from place to place. In the traditional areas such as in Coorg and Mysore, most of the areas are very highly developed. The people here naturally do start early cultivation of coffee there. The other problem is that in Tamil Nadu, most of the small growers are still to go into what we call in intensive cultivation pattern. What we are trying to do is to concentrate on some of the so-called backward areas in coffee plantation like Kerala and Tamil Nadu where we are concentrating all our efforts to bring them up to the level of the Mysore plantations."

2.23. Asked about the steps taken to increase productivity in Tamil Nadu, the Chairman, Coffee Board stated: "Basically we find that in the Tamil Nadu area, it is very much of a mixed crop. We are collaborating very closely with the Banana Research Station. We want to see, whether we can reduce the incidence of banana which is used as a secondary shade tree and grow better coffee in those areas and increase the productivity. This we have already started under the ICO diversification programme."

2.24. The Interational Coffee Organisation as estimated the projected production of 94,800 tonnes in India by 1977-78. The projection made by the Coffee Board is as follows:

Year	Production Exportable production	
	(in tonnes)	
1972-73	87,000	50,000
1973-74	94,000	45,000
1974-75	96,700	47,700
1975-76	100,700	50,700
1976-77	105,000	54,000
1977-78	109,000	57,000

The average annual rate of growth estimated by the ICO in respect of India is 4.3 per cent over the period 1971-72 to 1977-78, whereas the average increase in the growth rate in the production of coffee based on the method of standard deviation over last 20 years' data calculated by the Coffee Board is 5.244 per cent. Extrapolating the production on the basis of this growth rate taking the last crop season as the base year, a production of 109,000 tonnes is likely to be achieved by 1977-78.

2.25. The Committee desired to know the reasons for difference in the estimates of the Coffee Board and the International Coffee Organisation. In a written reply, the Ministry of Industrial Development (Coffee Board) stated: "The main considerations that have weighed heavily with the Board for adopting the growth rate of 5.244 per cent are the extrapolations of the past levels in production over two decades and also some special factors which operate in seventies. In making linier extrapolations of the moving triennial averages it is our thinking that projection made over a greater number of years would give more reliable indications of future trends than over a past few years in the immediate past. The special factors operating in seventies include (i) impact of the introduction of high yielding and disease resistant strains of Arabica, (ii) liberalisation of credit and steps to increase production on small holdings (iii) Impact of sprinkler irrigation (iv) impact of recent advances of technology of coffee and (v) marginal increase in area cultivated under coffee in the recent years."

2.26. The Committee pointed out that the projected average annual rate of growth according to International Coffee Organisation was 6.7 per cent for Brazil, the Director of Research stated: "It is a fact that Brazil has done very excellent work during the past four to five years as compared to us but with the varying factors like disease and pest appearance, Brazil as compared to us would not be able to produce the same results." The witness added: "Some of the coffee producing countries certainly had a better start on us as far as technological advance is concerned but presently we are catching up with the latest techniques."

2.27. The Committee note that the total production of coffee increased from 16,054 tonnes in 1947-48 to 87,000 tonnes in 1972-73. The average yield per hectare has increased from 177 Kg. in 1947-48 to 495 Kg. in 1971-72. The production of coffee is, however, subject to wide fluctuation from year to year. The production which touched an all time record of 1,10,300 tonnes in 1970-71 declined to 69,000 tonnes in 1971-72. The Committee understand that the fluctuations could be regulated by installation of sprinkler irrigation equipment to combat the failures of timely rains (blossom showers) and by larger inputs of fertilisers. The Committee find that out of an area 80,000 acres that is irrigable, the area benefitted under the scheme is 42,991 acres (7,385 acres for small growers and 35,606 acres for large growers). The Committee stress that the Coffee Board should take necessary measures to bring the remaining 50 per cent or so of the irrigable area under the scheme, particularly that belonging to the small growers. The Board should also take steps to secure adequate supply of fertilisers and insecticides from the Ministry of Agriculture etc. with a view to increasing the inputs particularly by small growers. The Committee would like to know the action taken by the Board.

2.28. The Committee find that average annual rate of growth of 5.244 per cent estimated for 5th Plan period by the Board is lower as compared with some other important coffee growing countries. The Committee stress that the Board should address themselves to the question of increasing the average rate of growth rate as well as the average yield per hectare which is much lower than that of some important countries like Costa Rica (1271.96 Kg.), El Salvador (970.07 Kg.), Guyana (975.00 Kg.) etc.

Coffee Development Plan

2.29. The Coffee Development Plan with emphasis on bringing out the potentialities of the small holdings sector was launched by the Board towards the close of 1956/57. Of the different schemes of assistance envisaged in the plan, the one that has remained in active operation throughout this period is the scheme for grant of long-term loans for intensive cultivation. This scheme, which is meant for the exclusive benefit of small coffee growers, has recently been considerably enlarged and liberalised to make it more effective in achieving its objective of inducing the small grower to adopt modern methods of cultivation. Besides liberalising this scheme, a number of other concessions and facilities have also recently been announced to help and encourage the small grower to improve the productivity of his holding. These include:

- (i) a substantial increase in the quantum of loan per acre, or quantum of advance on crop;
 - (ii) easier terms of repayment;
 - (iii) lower rate of interest;
 - (iv) additional incentive in the form of subsidy for replanting; and
 - (v) additional loan facilities for special developmental measures.
- Brought into force from August, 1972, none of these concessions or additional facilities is available to the Large grower.

2.30. The Coffee Development Plan, as recently enlarged and liberalized for the benefit of small growers now offers the following forms of financial assistance to coffee growers:

- (i) Loans for intensive cultivation @ Rs. 1,500 per acre for Robusta Coffee and Rs. 2,000 per acre for Arabica Coffee—payable over a period of 3 years and repayable over a period of 6 years commencing from the 6th year—eligibility limited to small growers—scheme in operation since 1956-57.
- (ii) Annual loans for Working capital—advanced against standing crop—quantum of loan limited to 70 per cent in the case of

small growers and 60 per cent in the case of large growers of the value of the estimated standing crop or of the previous 3 years' average crop whichever is lower—Loans repayable from the pool payments on the crop delivered into the Pool—Eligibility limited to small growers and to large growers owning not more than 100 acres—Scheme in operation since 1962-63.

- (iii) Equipment and machinery required on coffee estates on Hire-purchase terms—Cost payable in annual instalments over a period of 9 years in the case of the comparatively costly Sprinkler Irrigation Equipment and 6 years in the case of other items of equipment—Scheme open to all coffee estates except for the special facility provided to small growers to obtain a few additional items of equipment not permissible to Large growers—Scheme in operation since 1960-61.
- (iv) Loans for replanting areas under old, uneconomic plants—@ Rs. 3,000 per acre, payable over a period of 4 years and repayable over a period of 7 years commencing from the 5th year—Scheme open both to small growers and to large growers, but since August 1972, small growers are entitled to get 25 per cent of the loan as subsidy. Small growers also eligible for the concession of having to repay the loan only from the 6th year—Scheme in operation since 1968-69.
- (v) Loans for special developmental measures, such as, sinking wells, construction of drying yards, improvement of pulping units, soil conservation etc.—up to a maximum of Rs. 10,000 per holding at a time—payable in 2 instalments and repayable in 3 annual instalments commencing from the first anniversary of payment of the 2nd loan instalment—Loan eligibility limited to small growers—Scheme in operation since 1972-73.
- (vi) Loans for marginal extension of area under cultivation—@ Rs. 3,000 per acre, payable over a period of 4 years and repayable over a period of 7 years commencing from the 5th year—Eligibility limited to small growers—Scheme proposed to be introduced in 1973-74.

Whereas all these schemes are open to small growers including those exclusively meant for them, only the Hire-purchase scheme and the Replanting Loan Scheme and to a limited extent the Working Capital Loan Scheme are open to the Large growers. Even in respect of schemes which are open also to the Large growers, the small growers enjoy preferential treatment through the special concessions and facilities mentioned above.

2.31. The following table shows the quantum of loans sanctioned or disbursed, as the case may be, to small growers and large growers, under the various schemes implemented under the Coffee Development Plan up to the end of 1972/73:

	Small Growers	Large Growers	Total	
(Rs. Lakhs)				
I Intensive cultivation Loans (1956-57 to 1972-73)				
(i) Loans sanctioned .	125.43	..	125.43	
(ii) Loans disbursed (Total area brought under intensive cultivation 14,966 acres)	100.68	..	100.68	
II Working Capital Loans (1962-63 to 1972-73)				
Loans sanction and disbursed	77.43	12.85	90.28	
III Equipment & Machinery (1960-61 to 1972-73)				
Total value of supplies made on H.P. terms	150.95	102.00	261.95	
IV Replanting Loans/Subsidy (1968-69 to 1972-73)				
(i) Loans sanctioned .	25.45	54.74	80.19	
(ii) Loans sanctioned .	16.94	36.63	53.57	
(iii) Subsidy sanctioned .	1.69	..	1.69	
(iv) Subsidy disbursed .	*	..	..	Subsidy granted in 1972-73 is payable only in 1973-74.
Total area replanted with loan assistance—2,955 acres.				
V Loans for special purposes (1972-73)				
(i) Loans sanctioned .	1.11	..	1.11	
(ii) Loans disbursed .	0.88	..	0.88	
VI Loans for marginal extension of area under cultivation	..	..	..
(Proposed to be introduced in 1973-74 only for small growers)				
Summary				
(i) Total loans sanctioned	389.37	169.59	558.96	
(ii) Total loans disbursed	355.88	151.48	507.36	

2.32. The scheme operated by the Board under the Coffee Development Plan are financed by the Government of India. Funds are advanced to the Board against annual budget provision and actual requirements as a loan, carrying interest at the rate of $6\frac{1}{2}$ per cent per annum, subject to a rebate of $1/4$ per cent for punctual payment, viz., $6\frac{1}{2}$ per cent net (percent rate). These funds are, in turn, loaned by the Board at 1 per cent above the borrowing rate to small growers and at $1\frac{1}{2}$ per cent above the borrowing rate to large growers. The actual rates applicable to small growers and large growers at the moment are noted below:—

- | | |
|------------------------------|--|
| (i) Small growers | $7\frac{3}{4}$ % subject to a rebate of $\frac{1}{4}$ % for punctual payment viz., $7\frac{1}{4}$ % net. |
| (ii) Large growers | $8\frac{1}{4}$ % subject to a rebate of $\frac{1}{2}$ % for punctual payment viz., $7\frac{3}{4}$ % net. |

Although the Board had recently recommended to the Government of India that small growers be given loans at the same rate at which the Board obtains funds from Government, the Government felt that the Board should have a minimum margin of 1 per cent, even in respect of loans advanced to small growers, to enable it to meet possible bad debts.

2.33. Unlike loans provided by commercial banks, loans advanced by the Board are intended exclusively for developmental purposes—to improve productivity and increase production, under the supervision of Board's own technical officers in the field. All possible safeguards are built into each scheme to see that the funds advanced by the Board are not diverted to purposes other than what they are intended for. Utilisation certificates attested by the technical officer of the area is always insisted upon before a subsequent payment is made to the grower. In fact, the success of these schemes is attributable to the close supervision exercised by the Board's technical officers in the field to ensure that the money advanced by the Board is properly and profitably utilised by the coffee grower, whether he is big or small. This special feature of the loan schemes operated by the Board makes them different from the schemes of other financing agencies providing credit on their own terms. The ultimate objective being increased production, which is a national objective, the terms of the loans advanced by the Board are kept at the most generous level possible, regardless of the size of the holding benefiting by such assistance.

In the interests of achieving the objectives of the Coffee Development Plan, it may not be desirable to charge a higher rate of interest on the loans advanced by the Board to large growers on the analogy of the approach adopted by commercial banks or other financing institutions. Such an approach on the part of the Board is most likely to defeat the purpose for which the Plan was launched and has since been incorporated in the successive Five Year Plans.

2.34. Asked why large growers should be subsidised, the Secretary, Foreign Trade stated: "I agree that that would be higher. But we have to see our interest also. I agree that there must be differential in favour of smaller growers."

Intensive Cultivation

2.35. The Committee desired to know the total area brought under intensive cultivation and its percentage to the total area. In a written reply it has been stated that the Intensive Cultivation Loan Scheme is open to all registered small growers whose area under coffee is not less than 2 acres, viz., to all estates in the 2 to 50 acres group. There are nearly 19,000 small holdings in this acreage group with a total planted area of about 1,47,260 acres representing about 48 per cent of the total area planted with coffee in India.

The total area expected to be covered by the Scheme from its inception in 1956 up to the end of the Fourth Plan period is about 16,000 acres out of which 14,965 acres have already been covered. This acreage works out to 10.8 per cent of the acreage comprising small holdings and to 4.7 per cent of the total area under coffee.

The slow progress of the scheme is due to the fact that these loans are advanced against the mortgage of immovable property. The main handicap of the small grower is his prior indebtedness and difficulty in producing documents to establish his legal title. To help him get over the difficulty regarding prior indebtedness the Board has made a special provision in the scheme to permit the borrower to utilise up to 30 per cent of the loan for discharge of prior debts. Even this provision has often proved inadequate.

The target proposed for the Fifth Plan under this scheme is 5,000 acres involving a total outlay of Rs. 91.00 lakhs compared to Rs. 49.00 lakhs of the Fourth Plan.

The Scheme is meant exclusively for small growers who find it difficult to raise long-term finance elsewhere at a low rate of interest. Its progress although slow, is steady and has been instrumental in creating an awareness among small growers to the need and benefits of intensive cultivation on lines recommended by the Research Department of the Board. This has been an indirect but valuable achievement of the scheme.

Due to financial stringency the Board is encouraging financial institutions such as banks to open Agriculture Credit branches in the plantation areas, to provide additional credit to small growers for development.

Replantation Scheme

2.36. The Committee desired to know the area requiring replantation and actually replanted. In a written reply it has been stated that it was estimated in 1964 that an area of approximately 1,20,000 acres under coffee in India was in need of replanting with approved, disease resistant plant material.

The Research Department of the Board has started large scale distribution of improved variety of disease resistant and high yielding variety of both Arabica and Robusta seeds to coffee growers since 1954-55. (During earlier years from 1948 onwards seeds were mostly utilised for the establishment of seed blocks in various zones for field observations). The coffee growers utilised the seed material mostly for supply planting and expansion of coffee area.

The planters were fully convinced by the good performance of the improved plant material grown on their estates during 1954—1962 in comparison with the existing old material. Hence the thought of replanting or replacing the old material with young coffee was provoked and gained momentum during the second half of 1960's.

The large growers themselves started replanting at their own accord on a phased programme. Since the medium and small growers were hesitant to undertake replanting in view of their weak financial position the Coffee Board started its replanting loan scheme to provide a fillip to the tempo of replanting.

The replanting loan scheme was started during 1968-69 and with subsidy of 25 per cent to small growers from August, 1972 and so far covered an area of 3,478 acres. In addition to this the Agricultural Refinance Corporation established in 1963 also started providing loans to large growers through Scheduled Banks.

Considering the above facts and the quantity of seed coffee distributed so far by the Board it is estimated that about an area of 55,000 acres has been replanted so far. More accurate figures will be available only when the coffee census project launched by the Board in the 3 coffee growing States for enumeration of estates and collection of detailed statistics (including statistics about replanting) is completed and the data analysed. So far a total of 28,846 estates have been enumerated under the Project.

The remaining area of about 65,000 acres of aged coffee could be estimated to be replanted within a period of another decade provided necessary incentive now available to the planters by the Board and other financial institutions, continue to be available for the purpose.

Small Growers

2.37. The Committee desired to know the definition of small grower adopted for different purposes. In a written reply it has been stated: "The Coffee Rules 1955 (framed under the Coffee Act, 1942) have defined a 'Large Grower' and 'Small Grower' as follows:—

'Large grower' means a registered owner owning land planted either with Arabica Coffee, Robusta Coffee, or both aggregating to not less than 50 acres, whether such land is comprised in one estate or more than one estate.

'Small grower' means a registered owner who is not a large grower.

On the basis of these definitions, a small grower, for purposes of financial assistance from the Board for developmental purposes is defined as a registered grower owning up to 50 acres planted with coffee.

The findings of the Agricultural Commission in this regard are awaited.

However, for the purpose of making a higher initial payment to the small growers immediately on delivery of the coffee to the Pool, the Board has limited the area to 25 acres. Estates of 25 acres and above, but whose total crop is not over one tonne of coffee per season are also eligible for this higher initial payment.

A Sub-Committee appointed by the Board to study the problems facing the small growers (having not more than 50 acres) in the report submitted in February, 1971 made the following observation: "From the foregoing, one can see that in the case of small holders the average production per unit is almost static. The gain in average yield per acre is very marginal in his case even in the year in which the industry harvested a bumper crop (1966-67). From a study of the Replanting Loan Scheme, the Intensive Cultivation Loan Scheme, the Working Capital Loan Scheme and the Hire Purchase Loan Scheme, that are now under operation by the Coffee Board, the Committee has noted that of the total of all loans so far disbursed, nearly two thirds fall under the Hire Purchase Loan Scheme. This scheme accounts for Rs. 162.19 lakhs out of a total of Rs. 286.15 lakhs disbursed up to the accounting year 1970-71 under all loans. This clearly indicates that the more enlightened among the planters benefit more by such assistance, while those in the small growers' category, accounting for over 97 per cent of the total registered growers in the country, have to carry on, by and large, on their own. In any case, whatever financial assistance they have so far received from the Board has not been on a scale large enough to help them increase their productive capacity as borne out by the fact that the average yield of holding

owned by them has not shown anything more than a marginal increase of 17-1/2 per cent over a period of 4 years (1963-64 to 1966-67).

As against this, the estates sector has increased its yield by 53 per cent mostly by the judicious use of fertilisers, use of sprinkler irrigation under the Hire-purchase scheme and by adoption of scientific disease and pest control measures. This should serve as an index of the possibilities in the field of production even from the small growers' sector, provided they are given proper assistance.

2.38. At the instance of Committee, the Ministry furnished the following statement showing planted area under Coffee, production and average yield/hectare for the seasons 1955-56 and 1960-61 and from 1965-66 to 1970-71.

Size of Coffee Estates	Area (Hectares)	Production (Tonnes)	Yield/Ha. (Kg. per hectare)
1	2	3	4
1955-56			
Below 20 hectares	45,578	8819	193.49
Above 20 hectares	57,394	26209	456.65
Total	102,972	35028	340.20
1960-61			
Below 20 hectares	64,042	29539	461.24
Above 20 hectares	56,279	38630	686.40
Total	120,321	68169	566.56
1965-66			
Below 20 hectares	69,263	25680	370.76
Above 20 hectares	59,732	38181	639.21
Total	128,995	63861	495.07
1966-67			
Below 20 hectares	69,379	33640	484.87
Above 20 hectares	58,637	44833	764.59
Total	128,016	78473	612.99
1967-68			
Below 20 hectares	70,235	26940	383.57
Above 20 hectares	58,240	30391	521.82
Total	128,475	57331	446.24

1	2	3	4
1968-69			
Below 20 hectares	71,717	33104	461.59
Above 20 hectares	59,065	40326	682.74
Total	130,782	73430	561.47
1969-70			
Below 20 hectares	72,500	31670	436.83
Above 20 hectares	58,282	31949	548.18
Total	130,782	63619	486.45
1970-71			
Below 20 hectares	77,892	50429	647.42
Above 20 hectares	58,561	59802	1021.19
Total	136,453	110231	807.83

The increase in yield per hectare worked out to 234.60 per cent in case of small holdings and 123.63 per cent in case of large holdings during the period 1955-56 to 1970-71.

2.39. In a note furnished to Committee, it has been stated that besides financial assistance to the small grower in the form of loans and subsidy, technical advice and guidance and other facilities to improve his cultivation practices are provided by the field establishments and Staff of the Board's Research Department. There are six Coffee Demonstration Farms already functioning in select areas. It is proposed to open a few more. The entire coffee area in South India is divided into Six Liaison Divisions, with a Senior Liaison Officer in charge of each Division. The divisions are further divided into small compact zones, each in charge of a Junior Liaison Officer, so that the small growers in every area will have direct access to a Technical Officer specially trained to cater to their needs. Whenever it is felt that an area is too large for one officer to manage, steps will be taken to redefine the zone and provide additional extension service.

Action has also been initiated by the Board to provide institutional finance to small growers in areas where easy credit facilities are lacking. The State Bank of India has already opened Agricultural Credit branches at two select places with a large population of Small Coffee Growers.

2.40. According to a note furnished to the Committee, out of 49,000 growers approximately 43,000 come under the category of small growers having less than 10 acres of Coffee. Till lately the extension services of the Coffee Board engaged primarily is on all crop improvement on large and better organised units to achieve increase in over production. The Committee asked why extension services did not benefit the small growers. The Chairman of the Board stated: "Actually the extension services were meant for both large and small sectors. But because of lack of response from the smaller sector, perhaps there has been more result achieved from the large sector. But we have realised the necessity for giving more attention and financial assistance to the small sector. That is why we did take up the issue about three years back and a whole set of new schemes have been drawn up and given to Government, which we are implementing now."

2.41. In a written reply, it has been stated: "The Extension Services were organised for the first time during 1953 and concentrated their efforts initially on the larger acreages because the main objective at that time was to obtain a quick overall improvement in production of arabica coffee which was in considerable demand in the foreign markets. The original strength of the extension services was just enough to cater to the needs of the fewer number of large growers who had also sufficient financial capacity to change over to intensive culture rather than tackle the large number of small growers numbering over 40,000. Moreover, the large growers at that time were also not cultivating their coffee in a scientific manner and were not conversant with various improved aspects of plant protection and manuring.

The small growers were not completely ignored as the technical advice and loan aids were freely available to the small growers also. Many demonstrations were launched out even in the earlier years exclusively for the benefit of small growers when there was adequate enthusiasm and response on the part of small growers.

The Coffee Demonstration Farms started by the Coffee Board as early as 1957 were mainly organised to meet the requirements of the small growers and to act as extension centres for dissemination of knowledge on intensive cultivation to the adjoining small growers. At no time was there any conscious discrimination between the small and large growers, the only motivation being the total improvement of a national industry in as short a time as possible.

It was only when sufficient funds became available that the extension work in small holdings was enlarged and the original strength of 8 liaison officers increased to a total of 24, and that a number of small extension

offices were opened in the interior areas for the exclusive benefit of the small growers. This aspect of extension which had been gaining tempo from 1971 onwards has now suffered a severe setback due to the present austerity measures and drastic cuts in the budget of the Research Department. However, the improvement and diversification of small growers, particularly the robusta growers, is being given the maximum attention by the Extension and Research teams of the Coffee Board.

2.42. In reply to a question, the Secretary, Ministry of Commerce stated: "Yield per acre of small holding is less than the larger holding. We have no proposal to consolidate them."

2.43. The Committee desired to know if the steps had been taken to promote co-operatives of small growers. The Chairman, Coffee Board stated: "One of the drawbacks of Kerala is that there is a large concentration of small growers. There are about 22,000 small growers in the Wynad area in two talukas. They are not cohesive enough in order to utilize the various services offered either by the Board or by the other institutions like financial institutions which want to give them necessary loan and other assistance. I have suggested that they should form co-operatives. Three members of the Board are coming from that area. They are also trying their best. In the adjoining South Coorg area 12,000 small growers have been brought under one co-operative and they have been benefited by that. Now their per acre yield is definitely much superior as compared to the yield in the Wynad forest. Secondly, we are trying to encourage the setting up of the curing establishments under the co-operatives."

2.44. In a written reply, it has been stated: "There are a few established service Co-operatives functioning in the coffee growing States. The services rendered by them to coffee growers include curing coffee, supplying fertilisers, pesticides and other estate requisites and providing short-term credit. One of the societies functioning in Coorg with a membership of nearly 6,700 has been requested to include sprinkler hire-service in its activities for the benefit of small growers. The plantar-members on the Board have also been requested to take a lead in organizing co-operatives in their respective areas to provide custom service in Sprinkler to small growers who cannot by themselves afford to go in for this comparatively costly item. However, the indications are that organizing co-operatives for this purpose is proving difficult since there is need for concerted action by the local leaders in the plantation areas, and the need for cohesive action. The Board has also requested the State Governments to inculcate in the established co-operatives the willingness to provide custom-service to small coffee growers around them.

The small grower membership of the established service co-operative in Coorg is about 6,540 which represents 56 per cent of the total number of small growers (11,623) in Coorg District."

2.45. The Committee regret to observe that the Coffee Development Plan launched towards the close of 1956-57 with emphasis on bringing out the potentialities of the small holdings has not helped small growers to the desired extent as will be seen from the following:

- (i) The facility of loans under the scheme of the hire purchase of equipment and replantation has been made available even to large growers who may not merit such assistance and who can afford to borrow from market at higher rates of interest.
- (ii) Out of total loan of Rs. 507.36 lakhs disbursed upto 1972-73, an amount of more than 50 per cent is accounted for by hire purchase of equipment and machinery scheme. Out of the amount Rs. 261.95 lakhs (total 77,892 hectares) given under this scheme, the small growers received only Rs. 159.95 lakhs whilst the large growers (58,561 hectares) Rs. 102 lakhs. According to the sub-Committee appointed by the Board to study the problems of small growers, more enlightened among the planters benefit more by such assistance, while those in small growers category accounting for 97 per cent of the total registered growers have to carry on by and large on their own. It has been admitted by the Board that there has been difficulty even in organising cooperatives to provide custom service in equipment like sprinkler to the small growers who cannot themselves afford to go in for this comparatively costly item.
- (iii) Out of total area of 1,20,000 acres requiring replantation according to the Board's estimate in 1964, the replanting loan scheme covered only an area of 3,478 acres. According to the Board's estimate an area of 55,000 acres has been replanted so far by the growers themselves or with assistance from other sources.
- (iv) Out of the total amount of Rs. 53.57 lakhs sanctioned under replanting scheme started in 1968-69 the large growers received as much as Rs. 36.63 lakhs and small growers only Rs. 16.94 lakhs.
- (v) Under the Intensive Cultivation Scheme started in 1956-57 particularly for small growers, only loans of Rs. 100.68 lakhs have been disbursed during the period of 16 years. Out of

total planted area of 1,47,260 acres belonging to the registered small holders only area of 14,965 (10.8 per cent) acres has been covered under the scheme during the period of 16 years. The target proposed for the Fifth Plan is 5,000 acres involving a total outlay of Rs. 91 lakhs. The slow progress of the scheme, the Committee understand, is due to the fact that these loans are advanced against the mortgage of immovable property. The handicap of the small grower is his prior indebtedness and difficulty in producing documents to establish his legal title. The provision made by the Board to permit the borrower to utilise upto 30 per cent of the loan for discharge of prior debt has often proved inadequate.

- (vi) For repayment of loans, the small growers enjoy a meagre concession of only $\frac{1}{2}$ per cent in the rate of interest as compared with large growers. The large growers are charged net rate of interest of $7\frac{3}{4}$ per cent and the small growers $7\frac{1}{4}$ per cent. It has been stated that it is not desirable to charge a higher rate of interest on the loans advanced to large growers on the analogy of the approach adopted by commercial banks or other financial institutions, as such an approach on the part of the Board is most likely to defeat the purpose for which the plan was launched. The Committee are unable to agree to this.

2.46. The Committee are dissatisfied with the working of the Coffee Development Plan. Although the area under cultivation of small growers (77,892 hectares) at present is larger than that of large growers (58,561 hectares) their total production of coffee is still less than that of large growers. It is possible that this is so because small growers have not received adequate attention. During the year 1970-71 average yield per hectare was as low as 647.42 kg. in case of small holdings as against 1021.19 kg. in case of large holdings. In order that the Development Plan should have the desired impact on increasing the productivity of the small growers, the Committee strongly feel that the Development Plan needs reorientation. The Committee desire that action may be taken on the following lines:

- (i) sufficient funds should be made available for assistance to the small growers at more liberal terms of repayment with higher percentage of subsidy.
- (ii) Large growers who can afford to borrow from commercial banks should either be discouraged from the Development loan schemes or charged the market rate of interest.

- (iii) The Board should with active cooperation of the State Governments encourage setting up of cooperatives of small growers which has not been done very much so far so that they may have the benefit of machinery and equipment which individual small growers cannot afford to purchase.

Outstanding Developments

2.47. Long term loans of Rs. 202.00 lakhs were received from the Government of India to end of 1971-72 for development of coffee Industry. Of this, 19.80 lakhs were repaid leaving a balance of Rs. 182.20 lakhs on 31st March, 1972. These loans have been utilised by the Board as part of the total loans of Rs. 416.63 lakhs paid to planters and Co-operative Societies, as shown below:

Nature of Loan	Loan paid upto 31-3-72	Principal Outstanding on 31-3-72	Recovery over due as on 31-3-1972	
			Principal	Interest
(in lakhs of Rupees)				
I. Long term loans to small growers for intensive cultivation (recoverable in 5 Annual instalments commencing from the sixth, seventh, ninth year as the case may be)	87.90	51.38	4.39	1.04
II. Short term loans to small growers for working capital (recoverable within 18 months)	68.84	4.75	0.18	0.01
III. Long term loans for purchase of equipment and machinery under hire-purchase system—25% (10% from 10-1-69) of the cost of equipment at the time of delivery of equipment and the balance 75% (90% from 10-1-69) recoverable in four equal annual instalments	225.14	103.29	11.04	2.94
IV. Loans to Cooperative Societies for processing or curing of coffee (recoverable in five equal annual instalments)	1.00	..	..	..
V. Loans to growers for replantation of coffee (Recoverable in seven instalments commencing from 5th Year)	33.75	33.64	..	0.3
Total	416.63	193.06	15.61	4.02

(Para 4 of Audit Report on the Accounts of Coffee Board for 1971-72)

2.48. In a note furnished to the Committee, it has been stated that the following steps are taken to recover the overdue balances:

- (i) Serving Demand Notices on each defaulter at regular intervals;
- (ii) Notifying the defaulter's name and amount involved to the Board's Pool Agents and Pool Depots with instructions to recover the dues from the value of coffee delivered to the Pool from the defaulter's estate.
- (iii) Filing a suit against the defaulter, in a court of law, as a last resort.

The balances shown in the Audit Report indicate the position as on the 31st of March, 1972. The recoveries effected subsequent to that date reduced these balances by more than 50 per cent as the following two statements would show:

I. Development Loans—Overdue instalments of PRINCIPAL

Year in which the amount became due	Intensive Cultivation Loans		Equipment Loans	
	Overdue as on		Overdue as on	
	31-3-1972	31-8-1973	31-3-1972	31-8-1973
	1962-63	4,067	3,566*	..
1963-64 . . . . .	..	..	..	..
1964-65	304	158	227	227
1965-66	6,016	4,638	510	506
1966-67	18,485	16,696	2,281	1,371
1967-68	20,617	16,507	5,232	2,119
1968-69	25,550	20,610	19,680	10,274
1969-70	38,736	29,570	1,80,140	49,800
1970-71	89,775	38,426	2,19,828	1,08,437
1971-72	2,35,799	71,670	7,26,430	3,41,727
Total	4,39,349	2,01,841	11,04,328	5,41,461

*Including Rs 3,496.50—the total amount involved in 3 Legal cases pending in court.

II. Development Loan INTEREST—Overdue.

Year in which the amount be came overdue	Intensive Cultivation Loans		Equipment Loans	
	Overdue as on		Overdue as on	
	31-3-1972	31-8-1973	31-3-1972	31-8-1973
1964-65	122	122	14	14
1965-66	152	152	87	87
1966-67	847	785	362	360
1967-68	2,091	1,720	560	500
1968-69	7,061	4,933	1,180	892
1969-70	11,677	6,690	10,522	6,072
1970-71	29,252	15,363	49,872	26,905
1971-72	52,465	32,198	2,31,669	89,571
Total	1,03,667	61,963	2,94,266	1,24,401

2.49. During evidence, the Chairman of the Board stated: "There are nothing like bad debts so far as these loans are concerned because we have a total grip over the crop of individual planters in succeeding years, and if not in one year in the next year or in the following year, we will be able to appropriate from the Pool. Therefore, it is only a question of certain legal difficulties here and there which have prevented the total amounts being made good. We can assure that there is nothing like bad debts, and all the moneys will be recovered from these people."

2.50. In a further note furnished to the Committee, it has been stated: "All loans advanced by the Board to coffee growers constitute a charge on the coffee produced on the loanee's estate and on the pool dividends thereon. Whereas in the case of annual crop hypothecation loans, the amount is recovered automatically from the pool dividends on the hypothecated crop, in the case of long-term loans repayable over periods ranging from 3 to 7 years, the rights of the Board on the crop are not exercised unless the planter fails to clear the yearly dues himself, and is notified as a defaulter. When for any reason, recovery of the loan proves difficult due to non-pooling of coffee, the Board has the right, except in the case of the equipment Hire-purchase loans, to enforce its rights through the Court against the estate itself. In the case of Equipment Hire-purchase loans, no mortgage of property is involved, but only a charge on the crop until the ownership of the equipment is transferred to the planter."

2.51. In a written reply, it has been stated: "The number of cases where the principal is overdue as on 31st August, 1973 under Intensive Cultivation loan is 193 and under Equipment loan 489 as against the total no. of cases of 693 and 2,058 respectively, where the planters have taken loans under these heads. In all these overdue cases the rebate of 1/2 per cent is not allowed, and this could be construed to be the penal levy."

2.52. The Committee enquired about the number of Cooperative Societies to whom loans have been advanced and the amount of loans given to them *vis-a-vis* Individual Planters. In a written reply, it has been stated: "There has so far been only one instance of a Co-operative Society being granted loan by the Board. This was in 1964-65 when, a loan of Rs. 1.00 lakh was granted to a Coffee Processing Co-operative Society for expansion of its curing and other facilities. The loan was repaid by the Society without default.

No specific Scheme, as such, for extending financial assistance to Co-operative Societies is operated by the Board. However, Rule-38(B) of the Coffee Rules, 1955, empowers the Board, with the approval of Government, to lend moneys to "Planters pulping Co-operative Societies and Co-operative Societies for processing or curing coffee" besides giving loans to coffee growers. It was under this enabling provision that the loan of Rs. 1.00 lakh above mentioned was granted in 1964-65. A proposal to grant similar loans to two Co-operative Societies during the Current Year (1973-74) has had to be dropped as a result of a drastic cut imposed by the Government on the Budget grant.

As against Rs. 1.00 lakh granted to a Co-operative Society, a sum of Rs. 557.00 lakhs has so far been advanced to individual planters under the various schemes.

2.53. The Committee note that the principal sum amounting to Rs. 5.14 lakhs and interest amounting to Rs. 1.24 lakhs in respect of equipment loans and principal amounting to Rs. 2.01 lakhs and interest amounting to Rs. 0.62 lakh in respect of intensive cultivation loans were over due as on 31st August, 1973. The Committee were informed that there was nothing like bad debts because the Board had total grip over the crop of the individual planters. If so, the Committee are surprised how the amounts which became over due during the period as early as 1964-65 to 1969-70 are still to be recovered. The Committee stress that necessary steps should be taken to recover the over due amounts of principal and interest expeditiously.

2.54. A loan of Rs. 1 lakh paid to a Coffee Processing and Cooperative Society during 1964-65 for expansion of its curing and other facilities was repaid by the society promptly. But proposal to grant similar loans to two cooperative societies during 1973-74 was dropped as a result of drastic cut in funds by Government on the Budget grant. The Committee are anxious that cooperative sector should be encouraged to undertake or expand processing and curing of coffee and should not be denied financial assistance by the Board. The Committee desire that the requests of the societies should be considered during the financial year 1974-75.

CHAPTER III

MARKETING

3.1. The Marketing Department of the Coffee Board deals with collection, curing, storing and sale of coffee. One of the essential features of the Indian Coffee Industry is the pool system of marketing, the principal features of the Pool System of marketing are the following:—

- (a) All coffee growers are under a statutory obligation to register their estates, irrespective of their size, and deliver their entire crop in the Pool, except such quantities as may be permitted by the Board for domestic consumption and seed purposes;
- (b) In so doing, the growers divest themselves of all rights of ownership of the coffee pooled by them;
- (c) Payment to the growers on the coffees pooled is made on the basis of their value as determined by the price differential scale fixed by the Board for the crop season;
- (d) The pool coffee is sold in the internal market and for export through convenient channels in regulated quantities and at convenient intervals; and
- (e) All coffee curing establishments are licenced by the Board.

Marketing Committee

3.2. Rule 18(1)(c) of the Coffee Rules 1955 deals with the appointment of the Marketing Committee of the Coffee Board. The Marketing Committee is constituted each year commencing from 1st July to 30th June next following. It consists of 15 members including the Chairman of the Board. The composition of the Committee is as under:—

- (a) the Chairman who shall be the ex-officio Chairman of the Committee;
- (b) the Vice-Chairman; and
- (c) twelve other members appointed by the Board by election, of whom six shall be representatives of growers; two shall be representatives of the coffee trade; two shall be representatives of consumers; one shall be representative of labour and one shall be representative of any of the other interests.

3.3. The Committee enquired about justification for high representation of growers in the Marketing Committee and how far the Committee safeguarded fully the interests of the consumers. In a written reply, it was stated that under the Coffee Act, a statutory obligation has been placed on the coffee growers to deliver the entire quantity of coffee produced by them to the pool. The Marketing of this coffee is done by the Board, and the growers are not free to market the coffee themselves. The Marketing Committee discharges all the functions of the Board in regard to the coffee marketing schemes as set forth in the Coffee Act and the Rules. As this Committee is dealing with the produce of the growers and the marketing of coffee, and the distribution of the sale proceeds to them in accordance with the provisions of the Coffee Act, a higher representation for the coffee growers on the Marketing Committee has been provided since the beginning. The total number of members on the Marketing Committee is 15 including the Chairman of the Board who is ex-officio Chairman of the Committee. Of the 15 members, 6 are representatives of coffee growers and the remaining represent various other interests, including two representatives of consumers on the Committee. Taking into consideration representation to various other interests as also the specific representation to various other interests as also the specific representation of 2 seats for consumers' interests on the Marketing Committee, the interests of the consumers are also safeguarded.

3.4. There are 31 Coffee Curing establishments licenced by the Coffee Board under Section 28 of the Coffee Act. Of the 31 Curers, 5 are co-operative Societies, 12 are Public limited Companies, 5 private limited companies, 6 partnership firms and 3 are proprietary concerns. All these licenced Curing establishments have also been appointed as Agents of the Board for the purpose of receiving, Curing, storing, etc., of the coffee delivered to the pool under the Coffee Act on behalf of the Coffee Board. There are no sterling companies among the coffee curers, but there are five Curing Establishments in which certain shares are held by foreign firms/individuals.

3.5. The Committee enquired of the appointment of curers agents of the Board did not offend the provision of Sub Rule (c) of Rule 41 because of dual functions of the establishments. In a written reply, it has been stated that the question whether appointment of curing establishments as agents of the Board does not offend the provision of sub Rule (c) of Rule 41 has been examined in consultation with the Legal Adviser, and the position is as under:—

Section 7(3) of the Coffee Act empowers the Board to appoint Agents to carry out on behalf of the Board the functions in relation to marketing, storing and curing of coffee. The purposes for which the Board may

appoint Agents are enumerated in Rule 41 of the Coffee Rules reproduced below:—

Rule 41 of the Coffee Rules

“The Board may appoint any person or body of persons to act as its agents for all or any of the following purposes namely:—

- (a) marketing of coffee in the Indian Market or for export;
- (b) storing of coffee which is the custody of the surplus pool;
- (c) supervising the curing of coffee by licensed curing establishments and the deliveries of cured coffee by such curing establishments to the surplus pool;
- (d) collecting of coffee from planters for delivery to the surplus pool; and
- (e) making payments from the funds received from the Board to planters on coffee delivered.”

In terms of the powers conferred under the above rule, the Board has appointed a number of Pool Agents, who are also licensed curers. The Pool Agents receive coffee from Planters, from the funds received from the Board and also assist in marketing of coffee. These functions are covered by the sub-clauses (a), (b), (d) and (e) of Rule 41.

As, from the time the coffee is received into the pool, it is a continuous process of curing, storage and ultimate delivery to the buyers, the curing establishments have also been appointed as the Pool Agents under a separate agreement. In this connection, it may be mentioned that one of the recommendations of the Plantation Inquiry Commission which was set up by Government in April 1954 was that “it would not be advisable to separate curing and pool agency functions; such a separation will result in considerable difficulty apart from avoidable duplication of human effort godown facilities and ultimately add considerably to the marketing charges; this will not be in the interest of the growing industry.”

The Pool Agency Agreement does not exempt such curers as are pool agents from supervision of the curing of coffee or the delivery of cured coffee to the surplus pool.

Sub-clause (c) of Rule 41 empowers the Board to appoint any person or body of persons to act as its agent for supervising the curing of coffee by licensed curing establishments and the deliveries of cured coffee by such curing establishments to the surplus pool. The Board has not appointed agents to perform these functions. The supervision of the curing of coffee

is carried out by the Coffee Inspectors and the ACMOs who are officials of the Board and who are stationed at or attached to the Curing Works. The delivery of cured coffee for inclusion in the surplus pool is supervised by these Officers and this is also controlled by the Head Office to whom periodical returns have to be furnished by the curers regarding the quantities received by them from the growers, the quantities cured, etc. Every curing establishment must comply with the requirements of Sections 28 and 29 of the Act regarding obtaining of a licence for establishment of a curing works and for submission of periodical returns in connection with curing.

In the light of the above, appointment of curers as Pool Agents does not conflict with the provisions of Rule 41. Rule 41 specifically states that the appointment of agents may be for all or any of the purposes enumerated in sub-clauses (a) to (e). The Pool Agency Agreement covers the functions enumerated in sub-clauses (a), (b), (d) and (e) and does not include the supervision of curing of coffee specified in sub-clause (c).

3.6. The Committee desired to know the number of curing establishments owned by large growers. In a written reply, it has stated that out of the 31 Pool Agents of the Board, 8 are owned by large growers. These exclude curing establishments owned by companies and Co-operatives of which some of the Directors and Share Holders may be large growers.

3.7. The Committee enquired how many large growers purchased coffee in the auction for domestic sale and what was the total quantity purchased during each of the last three years.

According to information available with the Board, 11 firms whose partners/Directors (either one or more) are coffee growers purchased the following quantities during the years 1970, 1971 and 1972. The percentage of total purchases made by these firms to the total quantity auctioned each year is also furnished.

1970		1971		1972	
Quantity Purchased	% to the Total	Quantity Purchased	% to the Total	Quantity Purchased	% to the Total
(Quantity in Tonnes)					
476	1.6	536	1.6	1,035	3.0

3.8. According to the information available with the Board 5 firms whose partners/Directors (either one or more) or Proprietors are Coffee Growers purchased the following quantities during the year 1970, 1971 and

1972. The percentage of the total purchase made by these firms to the total quantity sold each year is also furnished.

Quantity Purchased	% to the Total	Quantity Purchased	% to the Total	Quantity Purchased	% to the Total
(Quantity in Tonnes)					
14,479	46.40	20,414	48.51	10,048	21.51

NOTE: The information furnished above both in respect of internal and export sales is exclusive of the purchases made by Public Ltd. Companies, a few Directors/Shareholders which may come under the category of large growers.

3.9. The rates of remuneration of agents are as follows:—

- (i) Agency remuneration @ Rs. 27 a tonne on all coffee received, other than coffee transferred from Depots.
- (ii) One per cent remuneration on the total payments to the grower on coffee pooled directly on tonnage basis.

The rate of 1 per cent remuneration for 1969-70 season was Rs. 63.80 a tonne and that for 1970-71 Rs. 42.80 a tonne on the above basis. As the crop during 1970-71 is large the total expenditure on 1 per cent remuneration [though the amount is lower than that of 1969-70 season (Rs. 42.80 a tonne as against Rs. 63.80)] is greater than that of the previous season (Rs. 39,32,609 for 1970-71 season as against Rs. 33,91,359 in 1969-70).

3.10. Asked if his system of payment of 1 per cent on total payments to the growers was fool proof, the Secretary Foreign Trade replied: "It is not fool proof. First of all, these payments are regulated by a periodic study and recommendations of the Cost Accounts Branch of the Ministry of Finance. Every three or four years they go into the expenses and make recommendations. What has happened is that, when they went into those, they did not recommend a certain price to be paid in terms of value of the product. The return on capital invested was not taken into account. This one per cent on sale price is given as a return on the capital employed on curing work, etc. There is a little fallacy. The return on capital should be something like 10 or 11 or 12 per cent, whatever is thought to be proper; it should not be left to market forces or auctions to determine what the return on capital should be. Once again the matter is under study by the Cost Accounts Officer and we would like to have a fixed return on capital.

3.11. In a written reply it was stated that consequent on the Government's decision on the recommendations of the Plantation Enquiry Commission (1954) the Coffee Board has been periodically constituting committees with a Cost Accounts Officer deputed by the Ministry of Finance as one of

the members to study the costs of Curing, Agency and Sales functions and make suitable recommendations in regard to remunerations payable for such functions. Such reviews were made by the Committees constituted by the Board in 1958, 1966 and 1969 in the past.

The committee constituted in 1966, while reviewing the report of the Cost Accounts Officer recommended that the remunerations paid to Pool Agents should be reviewed every 3 years. The recommendations made by the Committee appointed in 1969 covered 3 years 1969-70, 1970-71 and 1971-72.

The Pool Agency remuneration was therefore due for a further review at the end of the year 1971-72 and hence a cost study was undertaken by a Government Cost Accounts Officer deputed by the Ministry of Finance in July 1973. The report submitted by the Cost Accounts Officer, in September 1973 is under the consideration of the Coffee Board.

3.12. Although under the Coffee Act the production and distribution of coffee is controlled by the Coffee Board, the Committee find that in actual practice the interest of large growers is playing a decisive role in entire operation of the industry. According to information given to the Committee, out of 31 firms of pool agents and curers, 8 are owned by large growers; besides some of the directors and shareholders of companies and cooperatives may be large growers. Again the firms owned by or having interests of large growers purchase coffee in auctions for internal consumption and export. The Committee are of the opinion that as it is, the Board is serving the interests of large growers and large traders. The Committee desire that Government should look into this vital aspect and ensure that the Board primarily serves the interests of public at large and consumers. With this end in view, Government should review the entire structure of the Board and its statutory committees which have overwhelming representation of large growers. The Committee strongly feel that the representation given to the consumers especially in deciding marketing and pricing policies should be at par with that of grower as otherwise the public interest will suffer.

3.13. The functions of the pool agency and curing of coffee have been combined in the same firms. These firms therefore get remuneration for the agency and curing. Apart from agency remuneration at the rate of Rs. 27 per tonne, 1 per cent on the total payments to the grower is paid to pool agents. It was admitted by the Commerce Secretary that the system of payment of 1 per cent on sales was unsound as this did not correctly represent the return on the capital employed on the curing work. If so, the Committee are surprised how this defective system was adopted in the past and still being continued. The Committee were informed that the

report of the Cost Accounts Officer who recently went into this question was under consideration. The Committee would like to be informed about the final decision in the matter.

3.14. The Committee recommend that pool agency and curing establishments should be taken over forthwith and no labour saving devices like introduction of polishing machine should be allowed.

Allocations for Internal Market and Exports

3.15. At the commencement of each season an estimate of the coming season's crop is made and allocations out of the estimated crop are made for the internal market and for export. The export allocation is made keeping in view the annual quota allotted to us for the year under the International Coffee Agreement, the bilateral commitments and the need to maximise exports. Coffee is released in the internal market mainly through pool sales which are held once in a month in three principal marketing centres, namely, Bangalore, Coimbatore and Vijayawada. The dealers who are registered with the Board are allowed to participate in these auctions. Besides this channel, small quantities are also released through Local Sales Dealers, Co-operative Societies and Propaganda Department through allot-

3.16. The following are the details of the coffee released in the internal market:

Calendar Year	Quantity (In Tonnes)
1961	33,87
1962	34,651
1963	33,634
1964	35,200
1965	36,850
1966	35,474
1967	36,485
1968	35,822
1969	39,052
1970	33,582
1971	37,904
1972	37,452
1973	39,000 (Estimates)

In regard to exports, coffee allocated for export is sold periodically in open export auctions held normally once in two weeks. Exporters of coffee who are registered with the Board are allowed to participate in these auctions. Successful exporters are free to ship their purchases to any country of their choice unless otherwise specified by the Board. In respect of each auction notified, exporters are supplied with details of lots giving particulars of types and grades of coffee, quantity, place of delivery etc. They are also supplied with pre-auction samples of coffee to enable them to send the same to their prospective buyers abroad and obtain quotations.

3.17. The following table shows the quantities sold for export out of each season's crop since 1961-62:

Season	Arabica	Robusta	Total
(In Tonnes)			
1961-62	14,797	5,032	19,829
1962-63	16,793	5,618	22,411
1963-64	22,641	10,364	33,005
1964-65	21,497	1,506	23,003
1965-66	21,016	7,827	28,843
1966-67	22,003	13,072	35,075
1967-68	22,985	6,771	29,756
1968-69	30,254	3,500	33,754
1969-70	20,605	10,597	31,754
1970-71	29,593	18,062	47,655
1971-72	25,772	17,645	43,417
1972-73*	41,000	9,000	50,000

Allocation

There has been a substantial increase in the quantities sold for export during the last decade. The release for export has risen from a level of 19,829 tonnes in 1961-62 to a high of 47,655 tonnes in 1970-71, although there have been lower releases in certain years in between due to lean crops during those particular seasons and the need for allocation to meet the minimum requirements of the internal market to hold the price for the consumer. The increased release for export has been possible because of the increased tempo in the production of coffee. The allocation of coffee out of 1972-73 crop has been tentatively fixed at 50,000 tonnes out of a total estimated production of 87,000 tonnes, as there has been a considerable carry-over from the previous years' crop especially from a very heavy crop in 1970-71.

3.18. The Committee enquired about the justification for holding two separate auctions of coffee for export and internal consumption. The Secretary, Foreign Trade stated during evidence: "For exports, the first factor is in this. In the world trade in coffee, India's trade in coffee is significant. If we take that as a comparison then we are in no position to insist on them to come to our composite auctions—home and foreign. In these auctions they may take their chance along with the domestic buyers. That is one thing. The second thing is that in coffee, it has all along been regulated by quota and whenever a quota situation comes in, that is quite a different matter." On being pointed out that there were non-quota countries also, the witness stated: "For the non-quota countries, we have often negotiated separately with them and sold them at a certain price. I would say that there are certain factors which make us to compete. And if we have to compete with them for coffee, then the price for the home coffee has got to be higher. Then only we might get a better return. We will be in a position to compete with world market in coffee only if we have the demand for it."

3.19. Asked if a combined auction had been tried out, the witness replied: "I am told that about 30 years ago or 20 years ago, it was tried out."

3.20. The Committee asked if a separate auction for export did not lead to manipulations by monopoly exporters who might be interlocking capital with blending and marketing firms abroad. The Secretary, Foreign Trade replied: "If one were to compare all the unit prices realised in India and abroad, the difference was not at any time of that magnitude to have the result of that kind of manipulation. I would also like to submit that once we have been allowed a free entry on the world scene, then for the last twelve months, the unit prices in the export market are much higher than the price in the home market."

3.21. The witness added that "In January, 1973 the price in the home auction was 231 whereas the price in the international auction in India was 300 and so I say that the price in every single item is higher. There is shortage in the world scene and so we got a good price. I am accepting the point you mentioned that the unit value realisation over the years has been less in India in the foreign auctions than in the home auctions. That is not the result of holding of separate auctions. That is the result of the world factor."

In a written reply furnished subsequently it was stated that Coffee production in India is only about 2 per cent of the world production. Hence no control over the international prices could be exercised by Board. In the internal sales, however, the Board, by its regulatory mechanism exercises a certain amount of control to ensure a fair return to the growers

and to ensure that the price to the Indian consumer is not unduly high. With this object, the Board has endeavoured to segregate internal and export sales in such a way to see that the international prices have no influence on the internal prices and *vice-versa*.

For adopting a combined auction, both for internal and export sales, the marketing conditions are not comparable. There will be wide fluctuations in prices in the international markets where as it is the Board's objective to see that the internal prices are more or less stable. The other disadvantages in having combined auction are:—

- (1) There cannot be a common reserve price for both exports and internal prices as prices in the export market are dependent on international prices while the reserve prices for the internal market are based on cost of production.
- (2) Regularity of supplies in either of the two markets cannot be ensured in common auction. If export prices were to be more attractive, there would be a tendency for larger quantities to be exported creating scarcity in the country. If the internal prices were to be more attractive, the tendency would be to direct more of the purchases to the internal market thereby depriving the export markets of continuous supplies.
- (3) In a common auction, it cannot be ensured that the top qualities are exported because of the keen demand in the internal market for such coffees. Further, the export houses will have to compete with internal dealers who have no export activities and in this process it is possible that exporters may not be able to secure the particular lots of coffee which they want.
- (4) Under the present terms and conditions, the coffee put up in the export auctions are specifically for export and it is one of the conditions that the exporters must export the coffee and should not release it in the internal market.
- (5) There has always been a difference between the internal and export auction prices and hence price adjusted in a common auction would present a serious problem. It has not been possible to visualise any practical advantages in a common auction.

In respect of sales for the internal market, an excise duty of Rs. 50 per 50 kgs., for Arabica coffees and Rs. 33 for per 50 Kgs. for Robusta is currently levied. The excise duty on internal sales is levied at the point

of removal of the coffee from the pool warehouse of the Board. There is no excise duty on export sales, but at the point of shipment of export duty of Rs. 25 per 50 Kgs. is levied, on all coffees exported.

3.22. The terms of sales of the Coffee Board both for internal and export sales are ex-bags, ex-curing works. For the purpose of comparison, the prices given in the following statement are exclusive of Central Excise Duty.

Internal and Export Prices 1961 to 1973

Sl. No.	Year	Annual average prices secured in internal auctions in Rs. per 50 Kg. ex-bags ex-curing works exclusive of Central excise duty and sales tax			Annual average prices secured in Export auctions in Rs. per 50 Kg. ex-bags ex-curing works exclusive of all taxes and duties		
		Plant A	Ar. Chy. AB	Rob. Chy. AB	Plant A	Ar. Chy. AB	Rob. Chy. AB
1	1961	202.00	161.75	132.33	175.50	144.50	70.50
2	1962	220.25	173.00	132.92	220.00	158.00	95.50
3	1963	214.25	177.75	151.93	186.00	151.50	126.50
4	1964	235.50	192.75	180.43	227.00	204.00	165.50
5	1965	237.25	202.75	206.43	234.50	186.50	140.00
6	1966	301.25	263.50	234.93	254.00	218.50	190.50
7	1967	262.50	223.00	193.75	280.50	223.00	195.50
8	1968	303.00	255.75	239.75	306.00	227.00	224.00
9	1969	286.50	231.75	236.25	302.00	228.00*	230.00*
10	1970	348.25	318.50	321.25	388.00	331.00	275.50
11	1971	292.50	240.25	226.75	287.50	223.00	220.50
12	1972	318.75	241.50	217.00	341.50	226.00	252.00
13	1973						
	Jan	315.00	248.00	231.50	No sales	334.00	300.00
	Feb	317.00	258.00	234.75	457.00	357.00	323.50
	March	323.00	271.00	241.75	464.50	350.50	315.00
	Apr.	311.75	257.00	257.00	427.50	336.00	296.50
	May	305.00	272.50	245.50	420.00	350.50	290.50
	June	306.75	250.25	246.00	419.00	357.00	290.00
	July	304.50	251.00	238.00	387.50	357.00	296.00
	Aug.	310.00	266.75	238.25	377.50	341.00	294.00

* Inclusive of Sales Tax.

3.23 The Chairman of the Board stated during evidence: "We are always in touch with the international markets, particularly in New York, London and Hambour, which indicate the daily changes in prices almost like a stock exchange, and since we are on the Benters' telex, we get the prices every morning, and therefore, whenever auctions are held, we go into a quick conference, the marketing head myself and the Chief Accounts

Officer, and we determine at what minimum release price we should release the coffee on the bids to be offered on that particular day. This is the system that has been prevailing over the years.

International Coffee Agreement

3.24. According to the International Coffee Agreement (which expired on 30th September, 1973), the basic quota for India has been fixed at 25,380 tonnes. Prior to the commencement of each Coffee Year, the International Coffee Council estimates the World requirements of coffee for the following year and in the light of this estimates, the Council fixes the world annual quota and allocates quotas for the producing members in relation to the basic export quotas. A selective system of adjustment of quotas is also adopted to make upward or downward revisions of the quotas based on the movement of the prices for coffee in the international markets. For this purpose, price brackets are fixed for the four principal groups of coffee, namely, Colombian Milds, Other Milds, unwashed Arabicas and Robustas, into which all the producing countries have been grouped and if the price for a particular group of Coffee over a 15 marketing day period moves upwards or downwards beyond the price brackets, upward or downward adjustment in the quota of the producing members of that group is made. India comes under the classification of other Mild group.

The question of extension|Renegotiation of the present International Coffee Agreement which expires on 30th September 1973, was considered at the Sessions of the International Coffee Council held at London in April 1973. The ICC resolved to extend the ICA, for a further period of two years with effect from 1st October 1973, but in extending the Agreement for another two years, all regulatory mechanisms and economic provisions in the original agreement have been deleted, and essentially the ICO will continue merely as a centre for collection and maintenance of statistical information.

3.25. Asked about the payment made to the International Coffee Organisation, the Commerce Secretary stated: "The arrangement is that each country pays, in terms of U.S. Dollars, 60 Cents per bag allotted in the quota, that is, a little more than half a dollar. It is about Rs. 12 lakhs in a year." The witness added: "Apart from how much we pay, I may answer that the International Coffee Organisation goes on the basis of the economic strength in coffee terms. Our voting power and our position there is extremely slender, but not unfair as compared to our status as a coffee-producing country. It is in proportion to that. Speaking from memory—I can give you a precise figure later on—our voting power is around 1 per cent." Asked about the representation of the Board in the organisation the witness stated: "We have an IAS officer who is in a very senior position

in-charge of diversification in the ICO. We have a very brilliant statistician working in the Planning Commission from the Coffee Board who is on deputation there. Perhaps, there is one more person."

Bilateral Agreements

3.26. Exports of coffee to East European countries under bilateral agreements are done mainly by the private registered exporters. However, from 1972, the Board has made certain sales directly and through STC also, particularly to the East European countries in the non-quota group. This was resorted to at the request of these countries to the Board for direct sales and also the clear indications given by the Estimates Committee and the Kaul Committee that the Board should enter the export market directly. This aspect has also been emphasised in the body of the Export Policy Resolution (para 21) wherein the Commending role of the Public Sector in the development and expansion of the export trade has been clearly enunciated.

The East European Countries were generally in the 'non-quota' group of countries according to the I.C.O. and as such always enjoyed a concessional rate for import of coffee from all producing countries. They were even named as 'new markets'. The very concept of quota and non-quota was that the non-quota countries needed to be cultivated for coffee drinking habits and as such concessional rates were allowed. This has been the international practice.

Exports

3.27. The following table shows the position regarding export of coffee to quota countries against the annual quotas fixed by the International Coffee Organisation and exports to non-quota countries during the previous Coffee Years:

Coffee Year	Quota	Actual Exports	Non-Quota Countries	Total
(In tonnes)				
1962-63	21,384	21,469	3,602	25,071
1963-64	22,431	4,128	7,995	32,123
1964-65	18,808	18,166	9,392	27,558
1965-66	21,871	15,739	7,910	23,649
1966-67	23,788	23,202	11,541	34,743
1967-68	22,355	22,271	13,084	35,355
1968-69	21,192	19,893	14,931	34,824
1969-70	23,447	14,650	8,687	23,337
1970-71	21,803	21,803	16,364	38,167
1971-72	24,012	24,012	16,092	40,104
1972-73	46,649*	16,786*	8,853†	25,639†

(* Stamps obtained)

(†Upto end of April 1973)

3.28. The Committee desired to know the reasons for shortfall in exports during 1965-66 and 1969-70. In a written reply it has been stated: "During the coffee year 1965-66, sufficient coffee had been placed in the hands of the exporters to enable them to fulfil the quota of 21,821 tonnes. But a quantity of only 15,789 tonnes was exported to quota countries by the end of the international coffee year i.e. 30th September, 1966. The shortfall was due to the non-availability of shipping" opportunities in September, a substantial quantity remained unshipped at the end of September 1966 resulting in a shortfall in the ICA year 1965-66.

The allocation of coffee for export out of 1969-70 crop was 31,250 tonnes. Upto 30th September, 1970, a quantity of 30,258 tonnes was released for exports both to quota and non-quota countries. The requirements of non-quota countries upto 30th September, 1970 amounted to 13,077 tonnes and hence coffee available to quota countries as at the end of September, 1970 was 19,055 tonnes which included a quantity of 1,774 tonnes available with exporters as at 1st October, 1969. Thus, there was a shortfall of about 4,392 tonnes in the availability of coffee for exports to quota countries against our quota of 23,447 tonnes due to short crop. The final quantity shipped to quota countries even out of the quantity placed in the hands of the exporters amounted only to 14,650 tonnes. The shortfall in shipping was due to the same reasons as in 1965-66, i.e., due to lack of shipping opportunities.

3.29. The Committee enquired how the Board ensured that the coffee sold in export auctions was in fact exported without any diversion to the internal market. In a written reply it was stated: "Coffee intended for export is sold by the Board through separate auctions conducted by the Board from time to time in which exporters who have registered with the Board are allowed to participate. Sales are subject to certain terms and conditions, one of the conditions being that the coffee purchased by the exporter shall be exported outside India, and that it shall not under any circumstances be disposed of or otherwise released in India. After purchase of the coffee in auctions, the exporter has to sign a contract and produce evidence of shipment to the Board. All exports are to be covered by a permit issued by the Board under Section 20 of the Coffee Act, and one of the documents to be produced as evidence of shipment is the Export Permit granted by the Board with the Custom's endorsement certifying the shipment of the coffee. Along with the permit certified by the Customs, the exporter has also to produce copies of the Bills of Lading as evidence of shipment. The quantities purchased by the exporters are checked with the quantities for which evidence of shipment is furnished by the exporters, in order to ensure that the entire quantity purchased has actually been exported. Besides, coffee being an excisable commodity, removals of coffee from the bonded warehouses for export are controlled by the

excise authorities, and the bonds executed by the exporters with the Excise Department are cancelled only after evidence of shipment is produced by them to the excise authorities also. Thus, a dual control is exercised over the export coffee, and both the Board and the Excise Department ensure that the coffee is not diverted to the internal market."

3.30. The Committee pointed out that India was producing 2 per cent of the total world production of coffee but the share of exports came to only 1 per cent. The Secretary, Foreign Trade, stated: "We are among those very few countries which have a very high proportion of home consumption. Most of the countries of the world which produce coffee do not have a large population or large consumption. They throw up 80 or 90 or 95 per cent of what they produce in the world market. India, Indonesia and one more country are the three countries which have this proportion of fifty-fifty. If we decide to have less for home consumption, we could also sell more."

Marketing Research in Foreign Countries

3.31. The Committee desired to know whether any research had been made about the consumers' requirements. The Chairman of the Board stated: "We have taken up through the Indian Institute of Foreign Trade. This was done two months back." The witness added: "We have taken the advice given by you and we will initiate the matter. So far as internal consumption is concerned, we have set up a committee which has gone around the country."

3.32. Asked why the Board had never attempted to ascertain what the consumer wants to drink, the Chairman of the Board replied: "We have the basic literature with us published by the International Coffee Organisation as well as the FAO. What we are trying to do is to get more authentic and latest figures through the international organisations."

3.33. Asked if the Board had any data of retail price of coffee abroad, systematically collected from month to month for different markets. The Chairman replied: "We get it through the international organisation."

3.34. In a written reply, it has been stated: "Information about monthly retail prices of coffee is being systematically collected in respect of USA, the major importing country in the world from the publication "Complete Coffee Coverage" issued by M/s. George Gordon Paton & Co. which is being received by the Board regularly."

The India Government Representatives in some of the principal importing countries have also been requested to furnish regularly every

month the retail prices of coffee prevailing in the respective markets. Information is being regularly received from the Embassy of India in Berne (Switzerland). The Board is making efforts to get similar information from other countries.

3.35. Asked whether the Board had at any time attempted to do final marketing abroad. The Chairman of the Board replied: "We have done it in the export market in the year 1971-72. We sold about 9,000 tons directly to the Soviet Union and about 1,000 tons to Poland."

3.36. Pointing out that the pattern of trading with the socialist countries was different from the pattern of marketing in non-socialist countries. The Committee asked if the Board had ventured to do some trading with the non-socialist countries. The witness replied: "Not till recently. We have just now started with the cessation of the quota system."

3.37. The Committee asked about the attempts made to enter the Middle East and Far East markets. The Chairman of the Board stated: "The Middle East countries are frowned upon by everybody because they do a lot of switch trade and they would spoil our markets in the traditional areas of Western Europe and other countries. So far, we have not therefore thought of selling coffee to these areas. The other big market was Japan which consumes of the order of 80,000 tonnes a year now according to our statistics. We tried our best to penetrate that market. But they have a carten with Brazil and Columbia by which they get coffee at nearly less than half the international price. Therefore, it was impossible to enter into trade with Japan. We tried every method of penetrating into that market but we have failed in our endeavours. So far as Thailand is concerned they partly grow coffee in the southern districts and partly they get it from Indonesia. They are very poor coffee drinkers and they get a low quality of Robusta coffee from Indonesia. So, we have not really been able to penetrate the eastern theatre."

3.38. The Committee asked how the quality of Indian coffee compared with the quality of coffee produced in other countries such as Brazil, Costa Rica. The Chairman of the Board stated during evidence: "Actually, the world coffee production has been classified into four. The first is the colombian milds which are supposed to be the highest quality and which are uniformly so. That is the very important factor that the bulk of the produce must be of uniform quality. We come under the second group called the other milds. Our country and Gantamala and others come under the group of other milds. The third is the washed and unwashed Arabicas of Brazil, and finally we have the Robustas of Africa and Indonesia. These are the four groups. So far as the groups of other milds are concerned, we are almost at the top. Our quality is as good as

that of Gantamala or any other countries. In certain respects, that we term as Plantation A or parchment coffee is even as good as the Colombian milds. But unfortunately, ours is not uniformly good and therefore we cannot get ourselves classified under the Colombian milds and therefore we are in the other milds group and we are quite happy to be in the other milds, because we are attracting the prices that the other milds offer in the international market."

3.39. The Committee asked if there had been improvement in the quality of Coffee produced. The Chairman of the Board stated: "we have been constantly watching quality of Indian Coffee through our exporters and also through those who import in other countries. Our Coffee go as blends into larger bulks and has always been recognised for better quality.

3.40. Asked if it had been reflected through opinion or price. The witness replied: "Mostly from the opinion from the international consuming centres. They say that our quality of the bean has improved considerably and they are using it in increasing manner in the blend." As regards the price, the witness stated, "For the last 3 years it has been reflected." He added that in the international market, we are actually realising higher prices.

3.41. The Committee note that export of coffee increased from 25,071 tonnes in 1962-63 to 40,104 tonnes in 1971-72. According to the international Coffee Agreement which expired on 1st October, 1973 a quota was used to be fixed for export by the member country each year, the quota for India being 25,380 tonnes. The increase in the export in the recent years was due to the increased exports to non-quota countries under bilateral agreements. The Committee are of the view that the International Coffee Agreement was not at all favourable to India even in regard to exports, inasmuch as the exports to quota countries were limited to the quota fixed for each year. With the expiry of the agreement with effect from 1st October, 1973, the country is free to increase exports to erstwhile quota countries besides non-quota countries. In the world market, Indian coffee which is graded as "other milds" is in quality only next to 'Colombian milds'. In the group of 'other milds', Indian Coffee is on the top. In view of high quality of Indian Coffee, it should not be difficult to increase exports to the existing buyers and explore new markets. The Coffee Board should address themselves to the new situation.

3.42. From the figures furnished to them, the Committee find that the annual average of prices of coffee obtained in export auctions in early sixties were less than annual average prices secured in internal auctions (excluding of taxes), although the quality of coffee offered for export is of top quality. However, in the recent years the trend is that higher

prices are secured in export auctions. It has been stated that the Coffee Board has some machinery to keep themselves abreast of the prices in world market and fix minimum release prices for bids. The Committee are anxious that Indian Coffee should attract a price in the export market that is commensurate with its high quality. For this purpose it may be necessary to study the actual retail prices in the important consuming countries besides getting acquainted with the wholesale prices.

3.43. The present system of exporting coffee through private trade is fraught with manipulations by exporters by interlocking capital with marketing and blending firms abroad. In case of exports to East European countries the Coffee Board have from 1972 made certain sales directly and going through State Trading Corporation. The Committee strongly recommend that the Board should canalise the entire exports through the Coffee Board instead of private channels. Besides they should also explore the possibilities of opening coffee depots for retail sale abroad. For propaganda purpose they should combine their efforts with that of Tea Board.

Internal Marketing

3.44. The Committee enquired about the justification for change of policy of sale of coffee to depots of the Propaganda Department and Cooperative Societies at a minimum release price. The Chairman of the Board stated: "This was decided by the Marketing Committee and the Board in 1966. Now they are taking the last three months average and giving 2½ per cent discount". The witness admitted "There is no doubt that under the revised process a lot of business that was normally done through Cooperatives will go to the private sector".

3.45. In a written reply, it was stated that the internal marketing of coffee in India prior to 1967 was on the basis of a 4-tier system under which, out of the total quantities earmarked for the internal market for each year, 15 per cent was set apart for Co-operative Societies and 10 per cent to the Propaganda Department of the Board for sales through the various Units of the Department, subject to the condition that the quantities not lifted by these channels of distribution be ploughed back to the general auctions. About 15 per cent was also set aside for sale in retail auctions in consuming centres intended for retailers/roasters/hoteliers, and the balance quantity was put up for sales through the pool sales to wholesalers.

In the Pool Sales in which dealers who had registered with the Board were allowed to participate, the coffee was sold to the highest bidders.

Coffee sold in Pool Sales was mostly ex-Curing Works. In the case of retail auctions, Coffee was made available to the retailers and rosters who were also registered with the Board as Local Sales Dealers ex-various Pool Sales Depots functioning in important consuming Centres in the States of Mysore, Madras, Andhra Pradesh and Kerala. Coffee was being transported to these Depots from Curing Works and the reserve prices taken for purpose of declaration of coffee to the retailers and roasters in these local auctions were inclusive of the incidental, charges towards transportation, storage etc.

The allotments to the Propaganda Department for distribution to the consumers through India Coffee Depots and India Coffee Houses as well as allotments to the Co-operative Societies for distribution through their primaries were made at the minimum release prices. The prices at which the Co-operative Societies in turn sold coffee to the consumers were regulated by the Board by adding handling expenses, and a margin of profit which was found necessary for them, while in the case of India Coffee Depots of Propaganda Department the sale prices to the consumers were fixed by adding to the minimum release prices the actual expenses incurred by them in running the various Depots.

Under this system of marketing of coffee in the internal market there used to be 4 different levels of prices for the same varieties of coffee in the market. The prices at which the coffee was sold to the consumers by the Pool Sale Dealers were naturally higher than the prices at which the coffee was sold by the Co-operative Societies and the India Coffee Depots of the Propaganda Department as the Pool Sale Dealers had to bid in the Pool Sales and secure their requirements at competitive rates, while the Co-operative Societies and Propaganda Department secured their requirements at minimum release prices. In the case of local auctions for retailers and roasters, even though the minimum release prices were higher than the minimum release prices for Pool Sales, the prices realised in the local auctions were found to be less than the prices realised in Pool Sales on account of limited competition in the local auctions, as the participants would be only 20 to 30 as against 150 to 200 in Pool Sales.

The prevalence of different levels of prices to the consumers for the same coffee gave room for malpractices, apart from the fact that while the consumer continued to pay a high price for the coffee, the grower was denied the benefit on account of the intermediaries helping themselves to the profits.

The Board gave careful thought to this problem and decided on a new system of marketing of coffee which would ensure more or less uniform

rates of supply to the consumer. This new system was given effect to from October, 1967.

Under the new system of marketing, all the 4 channels of distribution of coffee continued to exist but the manner in which they secured their requirements was changed. The Pool Sales which were conducted through 'closed tender' were changed over to 'open auction' in which the participants could bid openly and secure their requirements. This change to 'open auction' was designed to bring the whole of the bidding activity into the open, thereby enabling the coffee to realise the price it deserved. The Open Auctions were centralised in Bangalore for some months and thereafter decentralised with one auction each per month in Bangalore, Coimbatore and Vijayawada respectively. The local auctions which were conducted for retailers and roasters, were abolished, but the local sale dealers were allotted coffee based on their average offtake during the previous two years at the average prices secured in Pool Open Auctions plus the usual incidental charges incurred by the Board for transportation of coffee to the Pool Sales Depots etc. This prevented their diverting the coffee back to the wholesalers and ensured supply to the consumers at reasonable prices.

The Co-operative Societies and the Propaganda Department were given allotments of coffee at the average prices secured in Pool Open Auctions in the preceding month less a discount of $2\frac{1}{2}$ per cent, instead of at the minimum release prices as was being done prior to October, 1967. The object of giving $2\frac{1}{2}$ per cent discount over the average prices secured in Pool Open Auctions was to enable these specified agencies of distribution to coffee to sell the coffee to the public at a little lower level of prices though not considerably lower as in the past. As a result of the new system of marketing of coffee for internal consumption, the consumers were able to secure their requirements at more or less uniform prices from all the 4 agencies of supply. The allocation to the Propaganda Department and Co-operative Societies, continued to be at the rate of 10 per cent and 15 per cent of the releases in the internal market, subject to the condition that the quantity not lifted by these channels of distribution be ploughed back to the auctions.

The scope for participation in Pool Open Auction was widened in order to accommodate even small retailers and roasters and some of the Co-operative Societies who opted to secure their requirements of coffee through open auctions, by relaxing the stipulation for heavy bank guarantee and deposits and by allowing small lots of coffee of even 500 kilos to be exposed in the open auctions. While big wholesalers could buy their requirements from the bigger lots of 3 to 5 tonnes, the small retail-

ers and roasters could obtain their requirements through purchasing small lots.

As in the case of Pool Sales through closed tender prior to October, 1967, Coffee was declared in the Pool Open Auctions based on reserve prices to the highest bidders. The reserve prices themselves were fixed based on the cost of production plus Central Excise Duty and the Board's expenses for marketing of coffee. These were revised from time to time as and when the cost of production was revised or as and when the rate of Central Excise Duty was enhanced by the Government of India.

3.46. The following were the quantities of coffee released in the internal market through various channels during the last 10 years (Calender years) i.e. 5 years before the introduction of the new system of releases and 5 years after.

Sl. No.	Channel of Release	1963	1964	1965	1966	1967
1	Pool Auctions . . .	74% 25064	73% 25674	70% 25665	71% 25288	76% 27653
2	Propaganda Department	8% 2682	8% 2867	9% 3244	10% 3369	8% 2983
3	Co-operative Societies . .	5% 1565	6% 2075	7% 2721	8% 3067	10% 3558
4	Local Sale Dealers . . .	13% 4323	13% 4584	14% 5220	11% 3750	6% 2289
TOTAL . . .		33634	35200	36850	35474	3648
<hr/>						
		1968	1969	1970	1971	1972
1	Pool Auctions . . .	84% 30181	89% 34903	88% 29581	89% 33955	90% 33743
2	Propaganda Department	6% 2125	5% 1848	6% 1971	6% 2134	6% 2085
3	Cooperative Societies . .	6% 2150	4% 1352	2% 617	2% 770	1% 624
4	Local Sales Dealers . . .	4% 1366	2% 949	4% 1413	3% 1045	3% 1000
TOTAL . . .		35822	39052	33582	37904	37452

Although the off-take by the Co-operative Societies from out of direct allotments has come down, it may be stated that four important Co-operative Societies who used to take direct allotments from the Board are now participating in the Pool Auctions and purchasing their requirements. Two of them are: The Mysore State Federation of Consumers' Co-operative Wholesale Stores Ltd., Bangalore and the Triplicane Urban Co-operative Society Ltd., Madras.

3.47. The Committee were informed that at the 160th meeting of the Marketing Committee which met on 18th October, 1973, while reviewing the internal marketing operations, considered the poor off-take of coffee from the Propaganda Depots and decided that so far as quantities of coffee seeds required by the Department for sale in powder form was concerned, they may be allotted to the Propaganda Department at minimum release price, based on the cost of production which shall be determined from time to time. As a result of the implementation of this policy, the price of Robusta powder sold from the India Coffee Depots has been reduced,* from November, 1973 onwards. It must also be mentioned here that the Marketing Committee had, at an earlier meeting, approved the sale of a Blend Powder (consisting of 2 parts of Plantation Triage and 1 part of Robusta Cherry AB) at a pegged price of Rs. 10 per kilo from all the Depots throughout India to help hold the price line. The scheme had been introduced earlier from July upto December, 1973. The Marketing Committee which met on 18th October, 1973 decided to extend the sale of this Blend Powder from the Propaganda Depots at the pegged price of Rs. 10 per kilo upto December, 1974. The Marketing Committee further proposes to review the question of allotments of raw coffee seeds to the Propaganda Department at the minimum release price, at its next meeting.

3.48. In a note submitted to the Committee the returns during different years in respect of Plantation Coffee were shown as follows:—

Crop of season	Cost of production Rs. per point	Plantation Rs. per 50 kg.	A Final return to growers Rs. per point	Plantation A Rs. per 50 kg.
1968-69	2.75	220.00	3.10	248.00
1969-70	3.10	248.00	4.41	352.80
1970-71	3.10	248.00	3.13	250.40
1971-72	3.48	278.40	3.50	280.00

*The previous price of Robusta Powder was Rs. 9.60 per kilo in South India and Rs. 9.70 per kilo in North India. The present price of Robusta Powder is Rs. 9.40 per kilo in South India and Rs. 9.60 per kilo in North India.

3.49. Explaining the reasons for lower return for the crop of 1970-71, it was stated in the note that the receipts into the Pool of 1969-70 was only 63,108 tonnes, and the releases in the internal market during 1970 had to be limited to 33,582 tonnes which caused a sharp rise in prices (usually the crop of each season is marketed in the following calendar year: as for instance, a major portion of the 1969-70 crop is sold both for export and internal markets in the calendar year 1970; similarly, the crop of 1970-71 is sold in the calendar year 1971, etc.). In the export market also, the realisations in 1970 were far better than in 1971. Consequently, the average price realised for the crop of 1969-70 was higher than the realisation in respect of 1970-71. In spite of these low realisations in respect of 1970-71 season, the final return to the grower amounted to Rs. 3.13 per point as compared to the cost of production of Rs. 3.10 per point. In framing the marketing policy, the Board takes care to ensure that the final return to the grower is not less than the estimated cost of production. In the cost of production itself, there is a built in profit of 12½ per cent.

3.50. The Committee pointed out that under Section 16 of the Coffee Board Act "The Central Government may by notification in the official Gazette, fix the price or prices at which coffee may be sold wholesale or retail in the Indian market." The Committee asked why no action was taken by the Board to the maximum retail prices fixed by Government to avoid exploitation of the consumer by middlemen, the Secretary, Foreign Trade stated: "I think that point is certainly valid. If there is a significant gap between what the consumers have to pay and what the growers have received, that gap has got to be always watched and analysed and, if it is substantial, of course, various enabling powers must be utilized." The Chairman of the Board stated: "In passing may I also indicate that in the last several months of this year the prices have been so regulated that we have not allowed the internal prices to go up in spite of the fact that the international prices are ruling today about 20 to 30 per cent higher than the internal market price."

3.51. In a written reply furnished subsequently, it was stated that the average auction price, consumer wholesale price and consumer retail price in respect of the crop for 1969-70 and 1970-71 were as follows:—

Crop of Season	Average auction price	Average wholesale consumer price	Average consumer retail price
1969-70	400	454	477
1970-71	349	393	411

It has been stated that the difference between the average auction price during the fiscal year 1970-71 and the consumer price was not very much, considering the duties and other elements that go into the retail price structure, as could be seen from the following table:—

Assumption

	per 50 kg.
1. Average auction price for Plant. As in 1970-71 (inclusive of Central Excise Duty and Pool expenses)	400.00
2. <i>Less</i>	
(a) Central Excise Duty (in 1970-71)	51.00
(b) Pool expenses (inclusive of Cess of Rs. 2.50 per 50 kg.)	20.00
	<hr/> 71.00
3. Net auction price available to the growers	<hr/> 329.00
4. Charges to be added to the net auction price to arrive at retail price :	per 50 kg.
(i) Central Excise Duty Rs.	51.00
(ii) Pool Expenses Rs.	20.00
(iii) Sales Tax @ 6% as on approximate Cost of Rs. 400/- (inclusive of Central Excise Duty and Pool expenses) Rs.	24.00
(iv) Surcharge on Sales Tax Re.	0.48
(v) Multiple tax on stocks purchased by dealers in one State from Warehouses in another State (at 3% on average auction price of Rs. 400/-) Rs.	12.00
(vi) FOR Charges Rs.	5.00
(vii) Average freight Rs.	5.00
(viii) Profit to Wholesale dealers Rs.	6.00
(ix) Profit to retailers Rs.	10.00
	<hr/> Rs. 133.48
	<hr/> 133.48
	per 50 kg. Rs. 462.48
	<hr/>
	or
	<hr/> 463.00
5. Average consumer retail price during 1970-71	<hr/> 477.00

The same position would be true of 1971-72 prices also.

As the entire auction price (exclusive of Central Excise Duty and Pool expenses) goes back to the growers, a comparison is made between the auction price and the ultimate retail price.

3.52. As regards the question why the Board did not recommend to Government to fix retail prices under Section 16 of the Coffee Act it has been stated that the availability for the internal market out of the 1969-70 season's crop was much less than the normal market requirements and there was a shortage of coffee. It was due to this, that the prices went up during that year. Firstly, if the statutory control on the retail prices had to be fixed, it would have been necessary to fix the wholesale prices also, and auctions with fixed wholesale prices would not have been possible. The entire marketing system also would have had to be changed for a short period as the next year's crop was expected to be bumper and the prices in the normal course would come down from January. Moreover, even if statutory price control was introduced under Section 16(1) it would not have improved the market conditions very much because of the shortage of coffee and possible irregularities that might have occurred in the market, like black marketing etc. Instead of taking this drastic step, the Board started selling coffee powder at fixed prices through its own depots.

3.53. The Committee drew attention to section 26 of the Coffee Act which lays down: "The Board shall take all practical measures to market the coffee included in the surplus pool and all sales thereof shall be conducted by or through the Board. The Board may purchase for inclusion in the surplus pool coffee not meant for inclusion." The Committee asked whether the Board has exercised its authority fully, the Chairman of the Board stated, "we find that the traditional trade channels have been discharging their duties properly. Therefore, we did not feel the need to enter this field till now."

3.54. Asked whose interest were protected by the Board, the Chairman of the Board replied "All the interests, I presume, the planters on the one side and the consumers on the other". The Secretary, Foreign Trade stated: "I would submit that he has to implement the provisions of the Coffee Act, which was passed by Parliament. If the Act passed by Parliament gives a certain role to the grower he should take that into account." On being pointed out that "This Act was 30 years old, the witness replied". "It has not been repealed yet". He agreed that "Even when a legislation is framed, we have to see that the interests of consumers do not suffer."

3.55. The Committee note that under the system obtaining prior to 1967, out of the total quality of coffee earmarked for the internal consumption, 15 per cent was set apart for cooperative societies and 10 per cent for the Indian Coffee Depots of the Propaganda Department of the Board. The allotments were made at the minimum release prices. The price at which the cooperative societies in turn sold coffee to consumers were regulated by the Board by adding handling expenses and a margin of profit found

necessary, while in the case of India Coffee Depots, the sale prices to the consumers were fixed by adding to the minimum release prices the ~~costs~~ incurred in running the depots. Under the revised system introduced in October 1967 the cooperative societies and the India Coffee Depots were allotted coffee at the average prices secured in open pool auctions in the preceding months less a discount of 2-1/2 per cent instead of the minimum release prices. The object was to enable these agencies to distribute coffee to public at a little lower level of prices though not considerably lower as in the past. Although the allocation remained the same, the actual releases through these channels considerably decreased. In the year 1972, the quantity released through India Coffee Depots and Cooperative Societies was 6 per cent and 1 per cent respectively of the total quantity released in the internal market. The Committee regret that, the revised system has not helped to hold the price line and consequentially the interests of consumers suffered.

3.56. Owing to a fall in production in 1969-70 and a lesser release of coffee in the internal market, there was sharp rise in the average consumer retail price in 1970. The Board practically did nothing to hold the prices, although under Section 16 of the Coffee Act, the Government could fix the whole sale and retail prices. The Committee regret that the Board did not move in the matter at that time. The release of coffee through the Propaganda Department and Cooperative Societies did not increase being only 6 per cent and 2 per cent respectively. The Committee desire that the Board should keep a close watch over the consumer retail prices in future and if necessary advise the Government to use the power under Section 16 of the Coffee Act.

3.57. The Committee note that the Marketing Committee of the Board in October, 1971 considered the poor off take of coffee from the Propaganda Department Depots and decided to allot coffee powder to the Propaganda Department at minimum release price. But the Marketing Committee had not yet considered the question of allotment of raw coffee seeds to the Propaganda Department at the minimum release price. The Committee expect the Board to protect the interests of the consumer and minimise his exploitation by the big traders and middlemen. The Committee therefore strongly recommend that the system of release of coffee seeds to the Propaganda Department and Cooperative Societies at the minimum release price should be restored early. The Committee desire that the Board should ensure that out of the total quantity earmarked for internal consumption, the cooperative societies and India Coffee Depots do get their share of 15 per cent and 10 per cent respectively. They cannot help feeling that the marketing committee as it is constituted today does not adequately safeguard the interests of the consumers. The Committee also recommend, considering many aspects that net work Depots should be created all over the country by the Board.

CHAPTER IV

Instant Coffee

4.1. Coffee extracts go under the trade name of Soluble Coffee or Instant Coffee. Production of instant coffee on a commercial basis in India has been of a recent origin. A decade ago there was only a small instant coffee plant in Coimbatore with an installed capacity of about 50 to 60 tonnes per year. Since then, three more plants were established to meet the growing demand for the product. The present total installed capacity of the plants is about 2,000 tonnes per annum.

M/s. Food Specialities have set up their plant at Moga in Punjab in 1963. Production started on a commercial scale in 1964. The installed capacity of the plant is 950 to 1,000 tonnes per year.

M/s. Brooke Bond have established two plants, one in Andhra Pradesh at Ghatkesar and the other in Mysore State at White Field. The Ghatkesar factory was set up in 1966 and started production sometime in 1967. The factory at White Field was set up during 1970-72 and production on a commercial basis was commenced in 1972. The total installed capacity of the two plants is 936 tonnes per annum.

M/s. United Coffee Supply Co., Ltd., have their plant in Coimbatore. This has an installed capacity of 50—55 tonnes per annum.

4.2. The total installed capacity of the Plants are as under:—

M/s. Food Specialities	950 to 1000 tonnes
M/s. Brooke Bond (2 plants)	936 tonnes
M/s. United Coffee supplies	55 tonnes

The production of instant coffee in recent years is on the increase. In fact, production in 1972 has registered a 35.6 per cent increase over the production in 1970, when the production was 13,61,413 kilos.

The following figures show the total quantity of instant coffee produced by all the three manufacturers during the last three years:—

(All in Kg.)

Years	Total Production	Production		
		Food Specialities Ltd.	Brooke Bond India Ltd.	United Coffee Supply Co., Ltd.
1970	1,361,413	831,674	528,737	1,002
1971	1,476,588	875,666	599,291	1,631
1972	1,847,402	1,166,031	681,031	340

Regarding the low utilisation of the plant of M/s. United Coffee Supply Co., the Committee were informed that according to the manufacturers, the utilisation of the capacity depended on the extent of the orders received.

The Whitefield plant of M/s. Brooke Bonds was commissioned for active production from September 1972. According to information available, the plant was primarily designed for producing pure instant 'Bon' coffee for export. During September 1972 to June 1973, they produced about 400 tonnes in this plant against specific export orders. During the period July 1973, it is reported that the plant was almost idle except for production of a small quantity of 18 tonnes because the Company did not get export orders. It is now understood that instead of keeping it idle continuously, the Company is seriously thinking of producing some "Bru" Instant Coffee (a blend of coffee/chicory) for the domestic market.

4.3. The following are the quantities of soluble coffee sold internally according to the information furnished by the manufacturers during the last three years.

(Qty. in kg.)

Year	Total Qty. sold for internal consumption	SOLD BY		
		Food Specialities Ltd.	Brooke Bond India Ltd.	United Coffee Supply Co., Ltd.
1970	1021,140	703,864	316,277	999
1971	1163,571	760,614	401,277	1,080
1972	1307,290	835,895	470,832	563

The following shows the quantity of instant coffee sold for export during the last three calendar years:—

Year	Sold for exports
1970	232,477 Kg.
1971	357,887 Kg.
1972	381,553 Kg.

Bulk of our export of soluble coffee was to USSR and Yugoslavia. Of late, there have been exports to Middle East Countries also.

4.5. The following are the destination wise exports of soluble coffee according to the information furnished by manufacturers:—

	1970		1971		1972	
	Quantity	Value	Quantity	Value	Quantity	Value
(Quantity in Kilos and Value in Rupees)						
Yugoslavia	7,200	292,500	1,200	45,000	1,860	71,750
Malaysia	48	1,611	..	..	..	..
USSR	225,009	8123,872	350,083	12,404,864	297,729	94,96,250
Nepal	220	11,440	6,470	403,749	424	22,444
Dubai . . . . .	..	..	14	585	..	..
Doha . . . . .	..	..	120	4,491	..	..
Jeddha . . . . .	..	..	..	..	1000	4,344
Persian Gulf . . . . .	..	..	..	..	820	13,329
Bangkok . . . . .	..	..	..	..	200	5,489
Brunei . . . . .	..	..	..	..	140	4,463

(Source : Quarterly returns from manufacturers).

According to the latest information furnished by the manufacturers the internal prices of instant coffee range between Rs. 50 to 67 per kg. depending upon the pack size. The higher price is in respect of small packings.

4.10. The Committee enquired about the present position regarding the proposal for setting up an instant coffee plant in the joint sector. In a written reply submitted to the Committee, it was stated that "the question of setting up of Instant Coffee Plant in the joint sector arose during discussions which the Indian Coffee Market Survey Delegation to South East Asian countries had with the Chairman and Directors of the State Trading Corporation of India (Far-East) in Hong Kong towards the end of December 1971. The idea was to set up this plant as an export-oriented, instant coffee plant which could produce instant coffee for use in Hong Kong as well as for re-export purposes. It was suggested during discussions that such a plant would have to be established in close collaboration with the trading concerns and Industrialists in Hong Kong. If the plant was to be set up in Hong Kong, it would have to be economical and possibly, some Indonesian and cheap Brazilian Coffees would also have to be used. If on the other hand, the plant had to produce instant coffee from Indian coffees, it had to be set up in India in close collaboration with Hong Kong Trading concerns and some Indian entrepreneurs. It was also suggested that a delegation of Hong Kong Industrialists should visit India for negotiations on the proposed project.

In pursuance of the above, a project report has been prepared. There are other questions like (a) foreign participation in the form of equity capital in foreign exchange, (b) economics of the proposal, (c) the marketability of the product, and (d) whether the Board itself should participate in the investment on this plant and the source from which the finances are to be found are to be considered. Some further details are to be worked out regarding this, and the matter is expected to be placed before the Government as early as possible."

4.11. Asked why the Commerce Ministry had not been consulted for two years, the Chairman of the Board replied: "We are still in a preliminary stage." The Committee asked whether the Law Ministry had been consulted as to whether the Board is competent to set up an instant coffee plant. The Chairman of the Board stated: "I am still working out the preliminaries."

4.12. The Committee asked about the ex-factory price of instant coffee, the Chairman of the Board stated: "It is Rs. 53 a kilo." He added: "We have asked for cost study to be made in detail." The witness further stated that "1 kilo instant coffee required 3 kilos green coffee". As regards mixture of other material he stated: "Brooke Bond Bru has nearly 40 per cent chicory." Referring to the international price, the witness stated: "I have with me Annual Coffee Statistics of Pan American Bureau. United States has imported instant coffee from Brazil at 97 cents a lb. It is about Rs. 16 a kilo. If we take our green coffee

'Robusta' it is available at Rs. 5.50 a kilo. You need 3 kilos of green coffee to make 1 kilo of instant coffee. Green coffee price is much higher."

4.13. The Commerce Secretary stated: "Our export figure are 1.3 million dollars. Our normal ratio with Brazil is 1:40. We have not done too badly, though we must make a leeway. It is just guess to make an instant coffee, all the beauty points are lost. Therefore, the mixture that we have to produce is perhaps more expensive than Brazil's lower grades of coffee. Their unit value is low and therefore, they can produce at a cheaper rate. It is only a guess."

4.14. On being pointed out that the value of Brazilian coffee might be less because of possible inter-locking of capital between the exporters in Brazil and importers in America, the Commerce Secretary said: "About Latin America I would not deny." To another question that the figures might also be cooked, the Commerce Secretary replied: "I do agree with you."

In connection with examination of a case of purchase of soluble coffee for the Defence Services referred to in paragraph 12(a) of the Report of the Comptroller and Auditor General for 1971-72 on Defence Services, the Committee were informed that the following quotations were received in 1969:

	Rate per Kg.
1. M/s. Carnatic Coffee Co., Davanagere	Rs. 34.05
2. M/s. United Coffee Supply Company Ltd., Coimbatore	Rs. 37.00
*3. M/s. Nestles Products, New Delhi.	Rs. 34.95

4.15. At the instance of the Committee, the Ministry of Commerce furnished the following information about the market prices of soluble coffee prevailing in 1969 and at present.

Name of Manufacturer	Price indications in 1969	Current price indications (Quarter ending June 1973)
	(Quarter ending Dec. 1969)	
	Rs.	Rs.
M/s. Food Specialities Ltd., New Delhi.	55.83 per kg.	76.60 per kg. in 50 gms. tin. 72.50 per kg. in 100 gms. tin. 64.17 per kg. in 200 gms. tin.

*M/s. Nestles Products and M/s. Food Specialities Ltd., belong to the same group.

1	2	3
M/s. Brooke Bond India Limited.	58.20 per kg. in 50 gms. tin. 53.30 per kg. in 200 gms tin.	61.60 per kg. in 50 gms. Jar. 47.80 to 53.15 per kg. in 200 gms. Jar and Pouch. 48.88 per kg. in 500 gms. tin.
M/s. United Coffee Supply Co. Ltd., Coimbatore.	2.85 per 50 gms. tin 5.55 per 100 gms. tin 10.65 per 200 gms. tin (Rs. 53.25 to Rs. 37.00 per kg.)	3.20 per 50 gms. tin. 6.20 per 100 gms. tin. 11.80 per 200 gms. tin. (Rs. 59.00 to Rs. 64/- per kg.)

According to one of the Manufacturers, namely, M/s. Food Specialities Ltd., New Delhi, the Ex-Factory price was Rs. 38/- per kg. in 1969 based on the export price of raw coffee. The same firm has indicated that the current Ex-Factory price in 1972 is Rs. 53 per kg. No Cost Study has been made into the manufacturing costs. The Government have been requested to institute a Cost Study and this is being instituted.

4.16. At present 4 plants in the country are producing instant coffee having an installed capacity of about 2,000 tonnes. It is regretted that almost all the four plants are controlled by Foreign Monopolists. And the Coffee Board has been unconcerned about this. The actual production of instant coffee had increased from 1361 tonnes in 1970 to 1847 tonnes in 1972. The quantity sold for internal consumption had increased from 1021 tonnes in 1970 to 1307 tonnes in 1972, but that sold for exports had only increased from 232 tonnes to 382 tonnes, in spite of the incentives given by Government. The bulk of the exports have been made to USSR and Yugoslavia. The general feeling of the manufacturers is that the ex-factory price of Indian instant coffee is high and that it is outpriced by Brazilian East African and other coffees which sell at considerably cheaper rates. The ex-factory price of the instant coffee is stated to be Rs. 53 per kg. based on the export price of raw coffee. The Committee however find it difficult to accept this. In 1969 in connection with supply of soluble coffee for the defence requirements M/s Nestless Products (an allied concern of M/s Food Specialities) had quoted price of Rs. 34.95 per kg. According to the Ministry of Commerce, the same firm had indicated a price of Rs. 55.83 per kg. for the quarter ended December 1969 and its ex-factory price was Rs. 38 per kg. in 1969 based on the Export price of raw coffee. The question therefore arises how the firm could quote Rs. 34.95 per kg. in their tender. The Committee stress that a cost

analysis of the production cost of the factories should be made early with a view to regulating internal prices. The retail price in June, 1973 seems to have been as high as Rs. 76.60 per kg. The Committee do not appreciate unconcerned approach of the Board towards the activities of the instant coffee industry dominated by foreigners.

4.17. The Committee regret that not much progress has been made in processing the proposal for setting up an instant coffee plant in the joint sector during the last 2 years. The Board has not even cared to consult Ministry of Commerce in this regard. This gives an impression that the Board wanted the business to remain in the hands of foreign companies. The Committee desire that the various issues arising out of the proposal should be settled early. The Committee are of the opinion that the instant coffee industry has great potentiality for export and the Board should therefore proceed in the matter without involving any private entrepreneur. The Committee would like to know the outcome of the proposal.

CHAPTER V

Propaganda

5.1. The propaganda Department promotes through various measures the sale and consumption of Indian Coffee within the country and abroad. The Department advertises Indian Coffee in foreign trade journals and participates in international fairs, besides national exhibitions. At these fairs, the service of Indian coffee in the cup is arranged wherever feasible. Arrangements are made for the screening of films on Indian coffee, both abroad and internally.

The Board publishes a monthly journal entitled INDIAN COFFEE to provide information on all aspects of the Indian Coffee industry. The journal is sent to important centres abroad and has, besides an English edition, editions in Tamil, Malayalam and Kannada.

The Department runs 42 India Coffee Depots for making available raw coffee seeds and coffee powder to the general public at fixed prices. The Board also runs 9 India Coffee Houses in Srinagar, Delhi, Calcutta, Patna and Bangalore, besides 3 Coffee Vans, to spread the coffee habit.

Publicity for Indian coffee is also done through hoardings, neon signs, posters, pamphlets, articles in the press, special advertising campaigns, radio broadcasts and coffee browsing demonstrations.

Programme for Coffee Promotion during Fifth Plan

5.2. Coffee production during 1970-71 reached an all time record of 1,10,000 tonnes. In 1971-72 though the crop harvested was only 69,000 tonnes, a carry-over of 27,000 tonnes increased the size of the crop to be marketed during the year to 96,000 tonnes. Again the 1972-73 crop is of the order of nearly 90,000 tonnes. According to current projections, coffee production is expected to stabilise around 1,20,000 tonnes by 1980-81, due not only to intensive cultivation but also due to extension of the area under cultivation.

In the coming years, the Board will be faced with the problems of marketing of over a lakh tonnes of coffee every year. According to the Board if this problem is not tackled on a note of extreme urgency, the economy of the coffee industry is likely to be seriously affected and the prices are bound to slump like the way it happened during the days of the

Indian Coffee Cess Committee of 1935. The lean crops of yester years posed no problems of marketing and therefore skeletal programme for promoting coffee both internally and abroad were then sufficient. Today's situation, however, requires dynamic and sustained efforts in promoting coffee in an intensive manner within the country besides stepping up the external publicity campaigns. Promotional measures take considerable time to yield results and therefore there is urgency for immediate organisation of the promotional programmes which will have the required impact and will step up the internal promotion at least at the rate of a 2 per cent increase during the first three years beginning 1973-74 and 1-1/2 per cent at least during the remaining two years. If internal consumption increases at the rate of 2 per cent for three years from 1973-74, and 1-1/2 per cent for the remaining three years, the overall increase in consumption would be at least 45,000 tonnes as compared to the current 38,000 tonnes, at which the internal consumption has become static. To achieve such an increase, a plan has been drawn up by the Board envisaging several schemes like starting newer Coffee Houses, enlarging the chain of India Coffee Depots and introducing more Mobile Coffee Vans to take coffee to the rural milieu, publication of special pamphlets, organisation of coffee brewing demonstrations, production of films on coffee brewing, special advertising and publicity campaigns, and creating a taste for coffee amongst industrial workers. It is proposed to get the finances required for the enhanced scale of operation of promotional activities as proposed, for the next five years, through an increase in the cess, in regard to which the Government has been addressed.

5.3. According to the Plan, it is proposed to increase the number of India Coffee Depots from 42 to 101, India Coffee Houses from 9 to 31 and India Coffee Vans from 3 to 21 by the end of 1978-79. The estimated expenditure on a propaganda unit and internal publicity is proposed to be increased from 24.90 lakhs in 1973-74 to 86.55 lakhs in 1978-79 and external publicity from Rs. 4 lakhs to 9 lakhs. The Committee desired to know whether such a high level of expenditure on internal propaganda and publicity was necessary and whether the proposed provision for external publicity was sufficient for the objective of increasing exports. In a written reply furnished by the Ministry of Commerce, it has been stated:

“When the promotional measures were envisaged the exports were regulated mainly through quotas fixed by the International Coffee Organisation and there was not much scope at that time for enlarging exports. Since we could find a ready market overseas to the extent allocated by the International Coffee Organisation, the export promotional measures were not strengthened. This factor weighed with the Board, which had to devise means to absorb the huge crop in the internal market

and stabilise the economy of the industry. It is for this reason that such a high level of expenditure on internal propaganda and publicity was considered essential. With the recent change in the functioning of the International Coffee Organisation, the Board has to formulate schemes intensifying export promotion also. Even when greater attention is paid to export promotion, Government of India are convinced that internal promotional measures cannot be slackened, or the expenditure curtailed, in view of anticipated large crops of the future and the need to absorb burdensome surpluses."

5.4. In another note, it has been stated that "In the past, limited quotas were allotted to India, under the International Coffee Agreement. Further, the Board had no difficulty of any type in fulfilling the quota allotted; actually, from time to time the Chairman of the Board and the Leader of the Indian Delegation to the International Coffee Council meetings, have stressed the need for increasing the quota. In view of this, no specialised research on quality requirements of consumers abroad was undertaken. However, applying for Market Development Funds, we are moving the Indian Institute of Foreign Trade concurrently, to undertake not only such a study, but also ascertain the scope for marketing processed coffee from India in important foreign markets."

5.5. Asked about the pattern of propaganda in foreign countries, the Commerce Secretary stated during evidence, "We are not doing much by way of propaganda in foreign countries for two reasons. Whatever quota we have available to offer in the world of coffee, we have always been able to sell it. Secondly in the world of coffee, we are extremely small—just 1 per cent. So we do not happen to be that big on the coffee front as we are on the tea front. But if we are able to increase our production substantially we have other methods of tackling the market like socialist countries etc."

5.6. To a suggestion that publicity of coffee could be combined with that of tea particularly in London where there is a Tea Centre, the witness replied: "The question is that coffee does not need any propaganda abroad. If we were doing it in London separately for coffee, then this would have been a very germane point as to why we do not have two different floors in the same building. We have not felt the need abroad. Whatever coffee we can produce can be earmarked for exports". The witness added: "we have a total crop of 90,000 tonnes. We were taken a view that perhaps 50,000 tonnes can be exported. There is also a question of price-line at home and the requirement at home. If we can spare 50,000 tonnes, I may say, we can sell it without any coffee centre abroad."

5.7. The Committee desired to be furnished with a note on the working of Rule 33(5) of the Coffee Rules 1955, and the arrangements in regard to

promotion of sale of coffee in countries other than U.K. In a note furnished to the Committee, it has been stated: "Rule 33(5) of the Coffee Rules states. "The High Commissioner for India may function as Agent of the Board for promotion of sale of coffee in the United Kingdom, and may be authorised by the Board to incur such expenditure as he deems fit subject to the budget provision for the purpose. He shall be supplied with funds by the Secretary by remittances from the General Fund Account. Before the close of each year he shall prepare budget estimates for the ensuing year showing the opening balance, receipts, expenditure and closing balance and send them to the Secretary for adoption by the Board and submission to the Central Government for approval." This arrangement has been working satisfactorily. The following represents the amount sanctioned to the High Commission for the last three years for coffee promotion:

1972-73	Rs. 2247 (£112.50)
1971-72	Rs. 1434 (£ 75.00)
1970-71	Rs. 1357 (£ 75.00)

The High Commission has arranged for the Board to be a member of the Coffee Promotion Council and the Commonwealth Procedures Organisation to help in publicising Indian coffee in the U.K.

At the High Commission's Canteen in the U.K. Indian Coffee is served and for this purpose coffee seeds are supplied from the Coffee Board. Also with the help of the High Commission, Indian Coffee service has been organised from time to time at meetings of the International Coffee Organisation (ICO).

The High Commission of India has also been a link with the Coffee Board in maintaining liaison with the ICO, the meetings of which are attended by Chairman, Coffee Board, and representatives of the Ministry of Commerce.

In regard to other countries, there is no such arrangement. But, in collaboration with the Ministry of Commerce and the Indian Council of Trade Fairs and Exhibitions, the Board has been participating in important Fairs and Exhibitions to bring Indian coffee to the attention to retailers and roasters there. Also, the Board release advertisements to project the image of Indian Coffee in Trade Magazines circulating in these countries."

5.8. The Committee note that the Coffee Board are running 42 India Coffee Depots for retail sale of coffee seeds and powder, 9 Coffee Houses and 3 Coffee Vans as part of propaganda for increasing consumption of coffee in the internal market. Considering the projected increase in production in the coming years, the Board propose to intensify the propaganda efforts for internal consumption by increasing the number of coffee deposits from 42 to 101, coffee houses from 9 to 31 and coffee vans from 3 to 21.

The total expenditure on internal publicity is expected to increase from Rs. 24.90 lakhs in 1973-74 to Rs. 86.55 lakhs in 1978-79. The Committee are surprised that while the Board are alive to some extent to the problem of publicity and propaganda in the internal market they are not paying the same attention to the external publicity. The expenditure on external publicity is proposed to be increased from Rs. 4 lakhs in 1973-74 to Rs. 9 lakhs only in 1978-79. The Committee appreciate that in the past in view of limited quota for export fixed by the International Coffee Organisation, there was not much scope for external publicity. With the recent termination of quota system, the Committee feel that the situation requires greater attention to external publicity than internal publicity with a view to not only sustaining the present level of exports but increasing them substantially. The effort should be to substantially divert the surpluses of production expected in the future years to exports. With this end in view, the Committee desire that the Board should carefully examine what export promotional measures to boost exports of both raw and processed coffee are necessary. In the opinion of the Committee, considering the high quality of Indian coffee, this task should not be difficult. To begin with, proper marketing research in various coffee consuming countries may be undertaken.

5.9. The Committee appreciate that the Board should step up its promotional measures for internal consumption of coffee. But, in the opinion of the Committee, such a high level of expenditure as is envisaged for the purpose may not be necessary. The Committee are however in favour of increasing the number of India Coffee Depots/Houses adequately both in the traditional and non-traditional regions both for the purpose of propaganda and holding the price line. As regards the coffee houses, the Committee have dealt with the question of losses suffered by the coffee houses, in the succeeding section. The Committee are of the view that new units must be opened in big cities and tourists centres but these should be run on no profit and no loss basis as far as possible. To start with in all big cities with a population of 1 lakh and above and distt. towns, it should be done. The Coffee Board should have precedence over others in the matter of opening coffee buffets at airports and important railway stations/dining cars and Government Establishments/Public sector Undertakings as may be necessary so as to ensure that coffee that is served is of good quality and is reasonably priced. Such a step would also serve to popularise coffee in the country. Further the purchases of coffee seed/powder should be through the coffee board.

Audit Para

Uneconomical working of coffee houses

5.10. Review of the working of the coffee houses (6 upto 1967-68 and 8 thereafter) disclosed that they have been sustaining losses year after year.

The total loss during the 5 year period ending 1968-69 was Rs. 14.96 lakhs, as shown below.

Year	Revenue Expendi- ture	Receipts (sale of liquid coffee & seeds, snacks etc.)	Loss*
(in lakhs of rupees)			
1964-65	12.80	10.93	1.87
1965-66	13.63	11.60	2.03
1966-67	15.50	12.08	3.42
1967-68	15.80	12.38	3.42
1968-69	17.85	13.63	4.22

*Does not take into account indirect charges like interest on capital and depreciation.

While according sanction to opening of new coffee houses, Government of India had *inter alia* observed (December, 1967) that by reducing the overheads it should be possible for the Board to run the coffee houses on a "no-profit no-loss" basis. In November, 1969 the Board stated that every effort is being made to effect economy and that the loss is only notional.

Uneconomical working of these units was reported to Government of India in March, 1969 and orders are awaited (November, 1969).

(Para 6 of Audit Report on the Accounts for the year 1968-69).

The India Coffee Houses and India Coffee Vans suffered losses during the years 1969-70 to 1971-72 as shown below:—

	(Losses in Rs.)		
	1969-70	1970-71	1971-72
India Coffee Houses/Rooms/Buffets	2,63,237	4,00,919	7,13,431
India Coffee Vans	1,22,209	1,17,240	91,354
TOTAL	3,85,446	5,18,159	8,04,785

5.11. During evidence, the Commerce Secretary stated: "The coffee houses are intended mainly for propoganda, maintaining certain standards and concentrating on impact rather than on profits. Coffee houses may not make profits if you take into account all the expenses. But if we take into account variable costs, they are not making losses."

5.12. Asked if the public had not become coffee minded, the witness replied: "In the North people are not yet sufficiently coffee minded."

5.13. In a note, the Coffee Board explained the following reasons for the losses:

(i) *Establishment:*

The establishment charges (that is, charges towards salaries and allowances etc.) of the staff are much higher than in the private sector. In addition to the fixed scales of pay, the staff are rightly entitled to Dearness Allowance, Children's Educational Allowance, City Compensatory Allowance, House Rent Allowance, Medical facilities, P.T.O. Concessions, Overtime Allowance, and Honorarium (when they work outside office hours) apart from the Bonus. Every year, the staff are also eligible for further revision in DA, H.R.A., C.C.A. and pay besides their normal increments and in the case of Bonus, any enhancements like the currently enhanced rate of 8-1|3 per cent bonus. These factors which assure better conditions for the workers also make the establishment charges of the Coffee Houses heavy.

(ii) *Division of Labour*

For better coffee promotion and greater efficiency, there is both specialisation and division of work in the Coffee Houses. The jobs of the Coffee Supervisors Coffee Makers, Pantry Men and Scullionsure different though in every Coffee House, there are a few members of the Class IV staff, who are referred to Men-General, and can be deployed to help in the work of all sections. This specialisation in the work and the duties, about which the Coffee Board Labour Union is very zealous, not only helps in increasing the promotional efficiency of the Units but also adds to the losses.

(iii) *Clientele and Cost*

In respect of several of the Coffee Rooms, particularly those in the Yojana Bhavan, Udyog Bhavan, Shastri Bhavan and Parliament House, the clientele is restricted, since outsiders cannot

easily enter these Coffee Houses and have their cups of coffee. The promotional purpose of these units are however served by the many visitors and V.I.Ps. who frequent them, for different jobs of work, and for meeting Ministers and officials of Government.

(iv) *Price of coffee in the cup*

Another important factor which makes Coffee Houses run on a loss is the price of coffee in the cup, which is kept, at a low level, in order to attract consumers. It could be argued that by putting up the price of coffee, there would be more income for Coffee Houses, but, as a result, a large number of people would and India Coffee Depots, are treated as one unit, and this is promotional point of view, putting up the price of coffee would not be ideal. The Board has therefore desisted from putting up the price of coffee, even when the cost of fuel, sugar and milk have gone up, mainly from a promotional point of view.

In extenuation of the losses, the Board have state:—

- (i) While Coffee Houses and Coffee Vans, have been making "losses", the India Coffee Depots, as a whole, have been making profits, to a large extent. This compensates, to a great extent, the "loss" incurred by the Coffee Houses and Vans. In the Budget of the Coffee Board, the Coffee Houses, Coffee Vans and India Coffee Depots, are treated as one unit, and this is logical and appropriate, since Coffee Houses, Coffee Vans and India Coffee Depots, represent different avenues of promoting the coffee habit; and only, by clubbing together these promotional units can the promotional expenditure be correctly assessed.
- (ii) The Ministry of Commerce in their Budget Notes had observed that the Board should work on a "no-profit no-loss basis", as far as possible. They had conceded that they would meet the "loss" to an upper limit of Rs. 3 lakhs annually. They further acceded to the Board's request to meet additional, accumulated "losses" which were unavoidable; thus in addition to meeting the "loss" of Rs. 3.57 lakhs under "Purchase and Sale of Coffee" for the Budget Year 1972-73, they have released Rs. 6.22 lakhs accumulated over the previous years for payment to the Marketing Department, for the coffee indented by the Propaganda Department, for sale from India Coffee Depots. Also, it may be added here that the term "loss" in connection with the running of Coffee Houses and Coffee Vans of the

Board appears inappropriate, particularly in the world promotion for Coffee cannots an activity for building its image and use, thereby implying expenditure then income."

- (iii) As a result of promotional efforts, over the years the internal consumption has increased from 33,873 tonnes in 1961 to an estimated 39,000 tonnes in 1973. Also, the internal consumption has remained static at around 37,500 tonnes from 1971 onwards, without decline —a decline which would have precipitous, on account of several factors, like relaxation of prohibition, competition from other beverages like Coca-Cola, Pepsi-Cola, Ovaltine, Horlicks, Bourn Vita, Tea, etc. and the increasing use of chicory (the annual consumption of chicory in India is stated to be between 10,000 and 15,000 tonnes). Promotion for coffee is required not only in North India but also in South India, in regions like Northern Mysore, the Telengana area of Andhra Pradesh and the Kerala State (excepting for certain parts of old Malabar) which are all non-traditional areas for coffee.

5.14. The Committee desired to be informed about reasons for high percentage of establishment expenditure as compared with turnover in Coffee Houses in Bangalore, Udyog Bhavan and Parliament House. In a note, it was stated: "The staff of the Parliament Buffet has been kept at the absolute minimum viz., one Asstt. Sales Officer, one Coffee Supervisor and six Class IV. However, because of a lower total turnover in this unit, due to restricted admission, this cost works out to 45 per cent. Some members of the staff at Udyog Bhavan Coffee Room, New Delhi, are deputed from time to time for work in connection with catering at special meetings, sessions, exhibitions, fairs and demonstrations. Also, their services are utilised for service in Parliament House, when Parliament is in session. The expenditure on this staff meant for outside catering is also borne on the staff strength of Udyog Bhavan.

Likewise, in Bangalore, one Sales Officer and some of the Class IV staff attend to service of coffee at various conferences and exhibitions and they are also borne on the pay roll of the Coffee House in Bangalore. In respect of the Bangalore Coffee House, one other factor which weights in having a larger staff is because of the functioning of two shifts, since it works from 9.30 a.m. to 7.00 p.m.

For these reasons, the establishment expenditure of the Coffee Houses in Parliament House, Udyog Bhavan, New Delhi and Bangalore are on the higher side as compared to other Coffee Houses.

There can be no uniform staffing pattern for all Coffee Houses. Staff for each Coffee House will have to be decided on merits depending on the place in which it is located, the hours of work, etc.

5.15. The Committee enquired about justification for having in Delhi 5 out of 9 Coffee Houses in the country and having in Bangalore 2 out of 3 Coffee Vans. In a written reply, the Ministry, stated "Delhi being the capital city, the promotional work through service of coffee in the cup has been intensified by setting up a full-fledged Coffee House in Super Bazaar in Connaught Place and the running of Coffee Rooms at Udyog Bhavan, Yojna Bhavan, Parliament House and Shastri Bhavan. Several visitors from areas where coffee is not popular, besides foreigners, drink coffee from these Coffee Rooms. At the Shastri Bhavan (where the officers of the Press Information Bureau are located) representatives of the Press from all parts of India meet and this offers an ideal situation for coffee promotion. The Ministries offered free accommodation, besides water and power at concessional rates, which also weighed with the Board at the time of starting the Coffee Rooms.

A study has shown that during 1971-72, 3,70,814 cups of liquid coffee were sold by propaganda Units in Udyog Bhavan, Yojana Bhavan, Shastri Bhavan, and Parliament House Buffet; in other words, this constitutes nearly one-third of the total sales (11,66,900 cups) through the sale of coffee through all the Propaganda Units (Coffee Houses, Coffee Rooms and Coffee Vans).

Two Coffee Vans are stationed in Bangalore, since it is the Headquarters of the Coffee Board. The Vans move out from Bangalore to various centres, rural and urban, to participate in important exhibitions, giving demonstrations and also serve coffee at national and international meetings. When more Vans are added to the fleet, they will be located in other State Capitals and important cities of the country.

5.16. In a written reply it has been stated that Twenty-seven workers (Class IV staff) are employed on daily wages in all the Coffee Houses/Rooms. With the proposed intensification of promotional measures in India, by opening more Coffee Depots and Coffee Houses, in different parts of the country, all persons working on daily wages will be absorbed permanently.

5.17. To a suggestion that Coffee Houses could be run economically if those were modestly furnished without air conditioning equipment etc., the Chairman of the Board stated "We shall take note of your suggestion in opening new Coffee houses." Asked if it was proposed to open Coffee Houses in non-traditional areas, the witness replied "Our list contains a

number of non-traditional areas." In reply to a question about the cost of renovation of the Coffee House at Srinagar, witness added: "the total expenses that were involved in renovation were Rs. one lakh." The witness replied "It is a tourist centre, we thought, it should be made more attractive." The Commerce Secretary stated: "May be the cost of renovation was a little higher, but the point is that furniture is of such a type which keeps clean and things like that. This is a little modern thing." The witness added: "We will try and standardise the cost of a new Coffee House."

5.18. The Committee note that some losses have been suffered by the Coffee Houses. The losses have increased from Rs. 1.87 lakhs in 1964-65 to Rs. 7.13 lakhs in 1971-72. The Committee accept the argument that the Coffee Houses being mainly meant for propaganda purpose need not make profits. The Committee are however anxious that the Coffee Houses should be run on 'no profit and no loss basis' as far as possible. The Committee therefore suggest that apart from periodically revising the price of coffee in cups, necessary economy should be effected in the overhead expenditure. It would be desirable that new units should be furnished at a modest scale strictly from the utility point of view and there should be no resort to luxurious items such as air-conditioning etc. The Committee desire that the Board should draw up a standard pattern of furniture etc. to be followed in future.

5.19. The Committee are surprised that 27 workers are employed in Coffee Houses on daily wages. The Committee desire that prompt action should be taken to make them regular, and future appointments should only be on those lines.

Audit Paragraph

Production of coloured film

5.20. As a measure of Propaganda for increasing the sale of Indian Coffee within the country and abroad, the Board produced (September, 1966) through a private firm a 35 mm. coloured film "Coffee Country" (in English) at a cost of Rs. 0.39 lakh. In order to exhibit the film abroad the Board approached (December, 1967) the Government of India (Ministry of Commerce) to undertake dubbing of the film in foreign languages (four in English and one each in German, Italian, Russian, Japanese, French and Arabic languages) in 16 mm. size. The Ministry expressed its inability (January, 1966) to undertake this work owing to lack of funds. The film has not been dubbed in any foreign language to far (September, 1969).

The original film (in English) was exhibited within the country on four occasion only. Of the two prints of the film, one is stated to have

been donated (November, 1968) for use of the International Coffee Organisation, London and the other (July, 1968) to the Ministry of Information and Broadcasting (Films Division) for releasing it in general circuit and dubbing it in various regional languages of India. That Ministry stated (September, 1969), that for want of eastman colour stock, preparation of inter-positive and inter-negative of the films could not be taken up and that dubbing and preparation of prints would be taken up after January, 1970. According to the Ministry it may be possible to schedule this film for release some time in April, 1970.

[Paragraph 3 of Audit Report on the Accounts of Coffee Board for 1968-69].

5.21. In their letter dated 8th June, 1970, the Ministry of Foreign Trade informed Audit as follows:

The colour film "Coffee Country" produced in English is a 35 mm. film which can be exhibited only through theatres. The cost of exhibiting this film, which is of 11 minutes duration in important Indian theatres even for a week would have been about Rs. 1,50,000. In the absence of budget provisions to meet this expenditure the Coffee Board exhibited the film only on special occasions. The Coffee Board have now persuaded the Films Division to release the picture in their general circuit after April, 1971. [According to letter No. SS|BM|P|70|71 dated 24th November, 1970 from the Films Division, Ministry of Information and Broadcasting, Government of India received with letter No. PPS(Audit)/72-73/1572 dated 22-5-1973 from the Coffee Board the film has been set for all India Circuit on 25-12-70].

As regards exhibition of film abroad, the Coffee Board have donated a print to the International Coffee Organisation who have exhibited it on one or two occasions. After the release of the film in general circuit through the films division, the Board would get some reduction prints of 16 mm size prepared and arrange for its dubbing in foreign languages and have the same sent to Indian Embassies abroad. The Indian Embassies have mentioned they want only 16 mm prints as exhibition of 35 mm prints in theatres abroad is very costly. The film has been prepared in such a way that it does not become outdated by passage of time.

5.22. In a note furnished to the Committee, it has been stated.

"The film "Coffee Country" was made as a 35 mm film, since 16 mm reduction prints are made from such 35 mm prints.

Having prepared the 35 mm film it was considered expedient and economical to have it released through the theatres in India with the help of the Ministry of Information and Broadcasting. Because this factor of high cost of exhibiting the film was considered, the Board took the cooperation of the Ministry of Information and Broadcasting and got it included in the General Circuit.

The local language in which the film was dubbed, besides English, are Hindi, Marathi, Gujarathi, Tamil, Telugu, Malayalam, Kannada, Bengali, Assamese, Oriya, Punjabi and Urdu.

Initially, the preparation of reduction films and dubbling the same in different foreign languages could be done only abroad needing special release of foreign exchange for this purpose. However, lately, it has been indicated that this work can be undertaken in India itself at modest costs and the matter is being pursued."

5.23. The Committee regret to note that coloured 35 mm film entitled "Coffee country" produced in September, 1966 for increasing sale of Indian Coffee within the country and abroad has not yet been reduced to 16 mm and dubbed in foreign languages for exhibition abroad. The Committee desire that necessary steps should be taken to have the reduction film prepared and dubbed expeditiously.

CHAPTER VI

Research Department

6.1. The Research Department of the Coffee Board was instituted in 1946. It has its administrative headquarters and the Central Coffee Research Institute at the Coffee Research Station, Balehonnur, in Chikmagalur District, sub-station at Chethalli in Coorg District, 5 Coffee Demonstration Farms at Saklespur and Gonicoppal (in Mysore State), Kalpetta (in Kerala) and Yercaud and Thadiankudisai (in Tamilnadu). After the successful introduction and establishment of coffee in Andhra Pradesh a Regional Demonstration Farm was set up at Minimalluru (in Andhra Pradesh). A soil Testing Laboratory and a museum-cum-demonstration farm function on the Manasagangothri Campus in Mysore.

The Extension Wing of the Research Department was set up in 1950-51.

The entire coffee area in South India extending over 3½ lakhs of acres is divided into liaison divisions each in charge of a Senior Liaison Officer. The liaison divisions are divided into small compact zones, each placed in charge of a Junior Liaison Officer.

The Director of Research is now assisted in the Extension and Development activities of the department by two Dy. Directors of Extension who have under them 6 Senior Liaison Officers and 11 Junior Liaison Officers.

The main functions of the Research Wing of the Board are improvement in plant breeding, plant protection and plant nutrition.

6.2. The achievements of the Research Department with regard to (a) control of pests and diseases, (b) Scientific use of fertilisers, and (c) its impact on production is listed under the following main heads:

(a) Control of pests and diseases:

(1) *Control of leaf-rust.*—Leaf-rust of arabica coffee has been always considered as the most dangerous threat to coffee all over the world. This disease was the main cause for the total abandonment of the flourishing coffee industry in Ceylon during the 1880's. Research on control of leaf-rust was initiated at Balehonnur as early as 1926. The result of field surveys and research studies indicated that this fungus disease comprised of

different races and its long range control could only be achieved by breeding, selection and development of rust resistant varieties. The breeding programmes were therefore given very high priority during these earlier years and after a period of 25 years of continuous work disease tolerant arabica varieties S. 288 and S. 795 and S. 1934 and robusta S. 274 were released for commercial cultivation in place of the earlier planted disease susceptible varieties like old 'chiks' and 'kents' and old robustas. These selections have been progressively replacing old materials and have been largely responsible not only for improvement in per/acre production but also in minimising expenditure in control costs by copper spraying. Prior to the release of these vigorous selection, it was considered that it was not possible to achieve average production of more than 5 cwts/acre (625 Kg/ha). It was only after the planters started growing compact acreages of S. 795 and S. 1934 that the break-through in improvement of average crops over large acreages was achieved.

At present the Central Coffee Research Institute has a number of new promising commercial varieties like Cioccie, Agaro, San Romans, which could be cultivated under a variety of climatic and ecological conditions.

The Central Coffee Research Institute has continuously maintained a *gene bank* comprising of all the commercial varieties of arabica and robusta collected from all over the world. These exotic varieties have been continuously screened and examined for commercial potential as also disease resistance to the 26 races of leaf-rust. Breeding in coffee is being actively pursued to achieve better results by way of disease control, cup quality, pest resistance, economic response to minimum fertilisers, and draught resistance.

(2) The White stem-borer of coffee was a major pest of arabica coffee and in conjunction with nematode parasites was responsible for limiting arabica production at lower altitudes like South Coorg and Kalpetta (Wynaad) areas. On many estates in the best coffee growing tracts of Coorg, Saklespur and Chikmagalur, the pest took an annual role of about 200—300 plants per ha. It was only after the adoption of BHC steem swabbing as recommended by the Research Deptt. that the severity of this pest were reduced to almost 5—10 plants/hectare. At present the white-stem-borer is no more a menace to arabica coffee as it used to do.

(3) Root parasitic nematodes were a severe problem on a number of well managed coffee estates in Coorg, Chikmagalur and Saklespur. As a result of fundamental research and field investigations economic control over nematodes was worked out by way of grafting arabicas on robustas and nematode parasites of coffee have been now relegated to the status of un-economic parasites.

(4) Upto 1966 the foliar parasites of coffee like thrips were considered to cause severe damage and crop losses of coffee. Research studies soon revealed that thrips could be actively controlled if coffee is grown under judicious shade conditions and good manurial treatment along with periodical liming. These findings enabled the planter to give up chemical spraying against foliar thrips and helped him to bring down his cost of production by about Rs. 100 per acre.

(5) *Preventing entry of pests/diseases into India.*—As a result of continuous stress on the importance of plant quarantine measures and active propaganda and vigilance by the Research Department of the Coffee Board, the two most important pests and diseases of coffee which are present in almost all the coffee producing countries of the world i.e., coffee berry disease and coffee berry borer have not yet entered India.

(6) *New Malady problem on coffee.*—Round about 1957 a new disease was reported from the traditional arabica coffee areas of Coorg, Chikmagalur and Saklespur. This disease was variously ascribed to different disease organisms and was even considered as dangerous as the coffee berry disease of Kenya, and considerable panic was prevalent, as to the severity and progress of this new disease. The Research Department carried out extensive surveys and fundamental studies into this new disease from 1957 to 1969. The result of such studies into the causative organisms and physiological stress on coffee brought to light a number of unknown factors about the crop. It was found that the primary predisposing factor of the new malady disease was the severe exposure to which arabicas had been subjected to during the years 1955 to 1957 by indiscriminate removal of shade trees. The disease can now be effectively prevented by suitable over-head shade canopies without recourse to chemical control measures.

(7) During 1970-71 and 72 Hairy-caterpillar invasions were extensively reported from all over the coffee growing tracts. This pest has now been successfully controlled through a simple technique of hand collection of the inactive pupal stages in all the infested estates and liming of the effected fields as well as by collection and distribution of eggs from the host trees without use of chemical pesticides.

(8) Continuous research studies on the shot-hole borer of robusta have now made it possible to obtain satisfactory ecological control with minimum use of pesticides.

(b) *Scientific use of fertilisers.*—Field trials on the use of chemical fertilisers like Nitrogen, Phosphorus and Potassium were initiated by the Research Department as early as 1935 and it became possible in 1953 to give broad guidelines as to the economic dosages to each ecoclimatic zone on

timing and frequency applications of chemical fertilisers and also to recognise toxicity and deficiency symptoms due to zinc, iron and magnesium. It can be stated that the rapid increase in extensive use of fertilisers has been mainly the result of active extension work by the Liaison Officers of the Research Department. The use of chemical fertilisers was completely unknown upto 1953. It was also an unknown practice to have the coffee soils pre-tested for liming as well as for mineral deficiency prior to 1953. It is now a general practice to test for acidity periodically and to lime the coffee fields as and when required. Such practices have been responsible in preventing acute deficiencies of manures, lime as well as well as conserving the fertility of coffee soil.

(c) *Impact on production.*—Pest and disease control with minimum use of pesticides and scientific use of fertilisers has been markedly responsible for achievement of higher average potential. The planter is now in a position to produce much higher and more consistent averages than during the years prior to 1953.

Areas of research efforts to be intensified and action taken

(i) Research on Plant-improvement, plant-protection and plant-nutrition is being vigorously pursued as otherwise it will not be possible to sustain production.

(ii) The improvement of the economy of small holdings, robusta holdings in particular, by means of intensive cultivation aids and diversification of the economy as per local conditions is being given high priority.

(iii) Loss in quality of Indian Coffee from its pristine unrivalled state in the world markets is a problem that calls for urgent attention from coffee planters, researchers and curers.

(iv) *Uneconomic returns.*—Critical attempts to reduce production costs by improving efficiency of variable and specified inputs and a hard look at the output relations of agro-technical inputs and an optimal combination of various cultural operations to improve inputs efficiency are the need of the hour.

(v) *Management problems.*—There is a pressing need for a new approach to managerial problems not only to improve farm husbandry but also to harness labour efficiency for improvement of variable inputs. Under the training programme at the Central Coffee Research Institute, management trainees receive intensive training in economic management of coffee holdings, and at present 19 small growers are undergoing training at CCRI.

(vi) Improvement in processing technology and machinery on small holdings is an important aspect of research at the Central Coffee Research

Institute. A new division of Agricultural Engineering is being organised for this purpose.

6.3. In a comprehensive note it was stated by the Coffee Board that the research and extension work so far has been mainly directed to crop improvement in arabica coffee and that the need for a centre to intensify research in robusta is keenly felt. The Committee asked why research effort was not directed to Robusta in the past. In a written reply it has been stated: "Research and extension work has to be directed predominantly towards improvement of arabica production as arabica was in more demand in the foreign markets as compared to Robusta which fetched lower prices. This position has changed during the last 2-3 years. Accordingly the research and extension efforts have also been stepped up in view of the new market trends. The proposals to set up a research centre is awaiting approval of Government. However, research trials and investigations in robusta have been already initiated at the Central Coffee Research Institute and on Coffee Demonstration farm, Kalpetta. A Robusta Specialist has been placed in charge of these studies under the guidance of the Divisional Head, Botany."

6.4. IN A COMPREHENSIVE NOTE ON COFFEE IT HAS BEEN STATED THAT THERE IS A NEED FOR:

(i) A Division of Agricultural Economics for specialised studies; (ii) New demonstration farms for the benefit of small growers, and (iii) Regional soil testing laboratories.

The Committee desired the programme for creating these facilities. In a note it has been stated:

(i) A Division of Agricultural economics is also one of new divisions which will be organised after obtaining the Government sanction and budget approval. This will also have to be carried over in a phased manner as we have to also construct and provide suitable housing for the officials in the Central Coffee Research Institute Research Colony.

(ii) Due to budget cuts it was not possible to open new demonstration farms during 1972-73. However, during 1973 steps have been taken to obtain suitable land for organisation of a Coffee Demonstration Farm at Mudigore and necessary application for grant of 30 acres of land made to the Government of Mysore.

(iii) It was not found possible to organise new regional soil testing laboratories due to severe budget restrictions. However, a mobile testing van has been set up at Kalpetta for purposes of pH tests and to advise small growers on liming.

6.5. The Committee desired to be furnished with a statement showing the expenditure on the Research Department since 1965-66 and its percentage of the value of production. The following information has been furnished to the Committee:

Year	Total expenditure for Research (Rs. Lakhs)	Gross value of annual coffee production (Rs. crores)	Percentage of expenditure on Research to the gross value of annual coffee production
1965-66	15.69	28.57	0.55
1966-67	14.13	33.63	0.42
1967-68	17.48	28.44	0.61
1968-69	21.85	35.05	0.62
1969-70	23.17	40.97	0.56
1970-71	28.65	51.08	0.56
1971-72	25.69	37.07 (Provisional)	0.69
1972-73	30.18	55.09 (Estimated)	0.55

6.6. The Committee desired to know whether any efforts had been made to grow coffee in the Eastern region. The Chairman of the Board stated during evidence "In Assam we have done." The Committee desired to be furnished with a note in this regard. In a note submitted to the Committee it has been stated: "In the year 1958, the Chairman and the Director of Research visited the Assam State hills and suggested exploratory trial cultivation of arabica coffee. Again in the year, 1959, 1965 and 1970. The officers of the Board made a follow up visit to Aijal, Mikir Hills, Gova Hills, Shillong and Jowal Sub-Divisions. It was observed that the present coffee blocks are purely governmental and intended as a socio-economic experiment for the rehabilitation of the hill tribes and stabilization and augmenting of their incomes by encouraging cultivation of permanent and perennial money crops. An area of 408 acres of Arabica station selection S. 795 is under cultivation. Two persons were trained at the Central Coffee Research Institute of the Board during the year 1959 and three are under training at present. The Divisional Soil Conservation Officer incharge of the office scheme visited CCRI on a study tour during 1970 and again in 1973. It has been further stated that certain suggestions were made to them.

6.7. The Chairman of the Coffee Board stated during evidence that ecologically Andamans was quite suitable for coffee cultivation. In a written reply submitted at the instance of the Committee, it has been stated that Andaman Island was surveyed during 1956 by an officer of the Research Department of the Coffee Board and the following areas were declared suitable for Coffee cultivation.—(1) Manarghat (South Andaman), (2) Pancha Vati (Middle Andamans), and (3) Jirkatang (little Andamans).

In 1962, the Coffee Development Officer of Andamans started trial blocks in consultation with the Research Department. These blocks were of 2 to 5 acres. At present an acreage of 20 acres is under cultivation.

In 1971, the Director of Research of the Board visited these blocks and suggested to the local authorities to open 25 to 50 acres blocks to study the economics of cultivation of coffee. It is reported that blossom showers are the limiting factors to achieve higher production.

6.8. While the Committee appreciate the work done by the Research Department in the field of plant breeding, plant protection and plant nutrition they regret that the results of the research work have benefitted only the large growers. The extension services of the Coffee Board till recently were engaged primarily in overall crop improvement on the larger and better organised units, to achieve quick increase in overall production. The Committee are anxious that some positive and effective measures should be taken to bring benefits of research work to the holdings of numerous small growers who constitute nearly 97 per cent of the total number of growers so as to increase their productivity and ensure profitability.

6.9. The Committee find that in the past, the research and extension work was mainly directed to crop improvement in arabica production as arabica was in greater demand in foreign markets as compared to robusta which fetched lower prices. The position has changed during the last 2-3 years. A proposal to set up a research centre for robusta is awaiting approval of Government. The Committee are not satisfied with lack of attention to the research work on Robusta in the past merely because it fetched lower price in foreign markets. The Committee desire that the research effort towards Robusta should be intensified.

6.10. The Committee find that there is need for new demonstration farms for the benefit of small growers and regional testing laboratories but it has not been possible to establish them because of budget cuts in the expenditure of the Reserach Department. The expenditure of the Research Department has increased from Rs. 15.69 lakhs in 1955-56 to

Rs. 30.18 lakhs in 1972-73. The Committee stress that adequate funds should be provided to the Research Department to carry out its activities that are particularly helpful to the small growers.

6.11. The Committee have been informed that experiments are being conducted for cultivation of coffee in Assam, Orissa and Andamans since fifties under the supervision of State Government Departments. The officers of the Research Department have only occasionally rendered advice to the State Government authorities. The Committee desire that Research Department of the Coffee Board should seriously guide these experiments with a view to producing tangible results. The Board should establish their own demonstration farms or depute some research staff to these States like Andhra, Orissa etc.

6.12. The Committee desire that the pay scales of scientists and research staff of the Coffee Board should be comparable with those in the other organisations like Indian Council of Agricultural Research.

Audit Paragraph:

Idle Equipments

6.13. A 'Bausch and Lomb' stigmatic grating spectograph (cost Rs. 17,255) was purchased by the Coffee Research Station, Balehonnur, in June, 1964 for assessing the nutrient value of coffee for determination of deficiency for advisory purposes. The equipment has been lying unused for the last three years (December, 1970). The Research Station stated (July, 1970) that the equipment is idle partly for want of trained person to handle it and partly for want of films. In February, 1968 the Board sent one research Assistant for training in spectographic techniques at the Atomic Energy Establishment, Trombay, for four months. Even after that the equipment is lying idle for want of films for which orders were placed in June, 1970 after obtaining import licence (July, 1970).

[Paragraph 5 of the Audit Report on the Accounts of Coffee Board for 1969-70].

6.14. In a written reply furnished to the Committee, it has been stated: "It may be pointed out that it is the general practice in almost all research organisations to go in for sophisticated equipment from time to time to keep pace with progress in research equipment. The spectrograph was purchased to improve the research facilities at CCRI. Research training is a continuous process and has to keep pace with technological advances which often do not follow a predictable course. In spite of best efforts it is not always possible in an isolated and remote research centre like Balehonnur to

have both the technician and equipment simultaneously and there is always a time lag due to recruitment procedures and requisite sanctions etc."

The present position is that the equipment is in working order and will be put into use when the specialist returns from his higher studies at IARI.

6.15. The Committee are dissatisfied with the non-utilisation of an equipment (stigmatic grating spectrograph) for the last about 7 years for want of a trained hand who had been deputed for higher studies at I.A.R.I. While the Committee appreciate the difficulty in getting persons trained for the sophisticated equipment, this position should not be allowed to continue for several years. It is no satisfaction that the equipment is still in working order, if the important research for which it was meant has suffered for a long period. The Committee suggest that in future at least two persons should be trained in handling such equipment, so that if one is away the work may not suffer.

Audit Paragraph:

6.16. *Encroachment of Board's Land.*—The Board purchased (January, 1947) 298.64 acres of land in Cheralasri Mangala, village Chethalli for establishing a research Sub-station. Of this, 3.65 acres (Value Rs. 18,250) are in physical possession of a private party (October, 1971).

The legal adviser of the Board to whom the matter was referred in December, 1957 advised (December, 1957) that if the property remained with the party for over 12 years it would be difficult to evict her due to the bar of limitation. No legal action was, however, taken to remove the encroachment within the limitation period (ending in January, 1959). The Board stated (October, 1971) that the question of eviction from the encroached land had been taken up with the revenue authorities in July, 1971.

[Paragraph 3 of the Audit Report on the Accounts of Coffee Board for 1970-71].

6.17. Explaining the background of the case, the Chairman of the Coffee Board stated during evidence: "Chethalli Research Station was started in 1967 and at that time, the Government decided that we should purchase piece of land both from Government—the then Government of Coorg which was a Part-C State—and also from a private party making a total acreage that was required for forming this sub-station. We have gone through the various files that are available with us. In the year 1947, when some of the private lands were also to be taken over, there were no settlement stones established on these private lands. The legal adviser, at that time did advise that it might not be correct to take lands which were not properly demarcated by the Settlement Department. Nevertheless, it

appears from the file that after discussions with the Secretary of the Board, in order, to start the Research Station expeditiously, they did take over the land under certain clauses that have been introduced in the agreement that has been executed with the party at that time."

"Then, sometimes in the year 1957, *i.e.*, about ten years later, it appears from the files that they did notice that there were about 3.65 acres of land that was ostensibly purchased by the Board for the Research Station which were encroached upon by the original owners who had adjoining lands. Even the Legal Adviser did give advice that the limitation would be over in 12 years' time from 1947 and that it should be proceeded against to show that action was indeed taken. The only document before the competent authorities is that the land could be regained from the unauthorised occupants. It was only in the year 1970—rather 1967—that again the matter was started and the Settlement Officers were moved actually to re-survey the whole land and fix up the boundary marks as originally taken over by the Coffee Board for this research Sub-station. But, this has been going on in a very prolonged manner because, you know, the Revenue and Settlement authorities take an unduly long time in doing this. And ultimately we found in the year 1971 that certain rosewood logs were being logged down from this area of 3.56 acres of land which the Coffee Board Officer believed was an unauthorised occupation by these people. He immediately prevented them from taking rosewood logs. They have been entrusted to the District Forest Officer who has been asked to hold them, after sales realisations, in abeyance so that this amount could be paid ultimately to whomsoever that land belongs, after it has been established. It was after that that we further went to the Legal Adviser and then finally we appealed to the Local Tahsildar who is the basic revenue official to change the Jamabandhi column 6 of the record which indicates the actual person who is in possession of the land. They had indicated in column 6 of the Register the name of Mrs. Neelamma. We have moved for the deletion of the name and for introduction of the Coffee Board name. The Tahsildar rejected our plea. And then we went to the Assistant Commissioner who was the appellate authority. He has also recently rejected our appeal. But, he has indicated that we should file a civil suit. We are taking action to fight it out in the Court of Law. I can assure you with this background of the whole case that we shall see that no stone is left unturned to recover the property of the Board."

6.18. The Committee are disappointed at the manner in which the land for the Research Station, Chethalli was purchased in 1947. Ten years after the purchase, it came to notice that a part of the land (3.65 acres) was encroached upon by the original owners. But even at that late stage, no action appears to have been taken by the Board to vacate the encroachment although the legal Adviser had advised that if the party retained the

property for over 12 years it would be difficult to evict it due to the law of limitation. It was only in 1967 that the State Government authorities were moved in the matter. The attempts of the Board to have the name of the owner deleted from records have not been successful and a civil suit is now proposed to be filed. The Committee hope that this will be done without delay. The Committee desire that it should be examined whether responsibility can be fixed for the failure of the officers in this case. The Committee would like to be informed about the action taken.

CHAPTER VII

Labour and Staff Welfare

Audit Paragraph:

7.1. *Grants for Labour Welfare Measures:* In paragraph 4 of the Audit Report on Coffee Board for 1970-71 mention was made of non-receipt of utilisation certificates in 19 cases of grants totalling Rs. 2.40 lakhs paid during 1961-62 to 1968-69 for Labour Welfare Measures.

Of these, utilisation certificates for 12 cases totalling Rs. 1.24 lakhs, are still awaited (February, 1973). Also, similar certificates for 3 more cases of grants totalling Rs. 0.14 lakhs paid during 1969-70 are awaited.

[Paragraph 3 of Audit Report on the Accounts of Coffee Board for 1971-72].

7.2. At the instance of the Committee, the following break-up of the outstanding utilisation certificates year-wise was furnished:

Year	No. of Utilisation Certificates	Amount of Grant
		as
1961-62	1	25,000
1964-65	1	4,000
1965-66	1	15,000*
1966-67	1	10,000
	1	10,000*
	1	1,400
1967-68	1	5,000
	1	5,000
	1	2,350
1968-69	1	40,125
	1	1,605
	1	4,520*
1969-70	1	8,933
	1	4,270*
	1	1,248*
	15	1,38,451

Utilisation Certificates in respect of these cases are due from the Director of Health of the States Governments of Mysore (for 7) and of Kerala (8 cases). However, information received from the Hospital authorities and other executing agencies like Village Panchayat, Block Development Officers, P.W.D., District Medical Officers, etc., reveals that in 5 of the 15 above cases (indicated by asterisk) grants amounting to Rs, 35,038 have been fully utilised. The formal utilisation certificates in respect of these cases are awaited from the Director of Health of the Government of Mysore and Kerala.

7.3. The Committee desired to know the "reasons for abnormal delay in utilisation of grants given for labour welfare measures. In a written reply, it has been stated that all the pending cases relate to donations made to the Governments of Mysore and Kerala for the following purposes:

1. For construction of wards.
2. For supply of equipments etc.
3. Provision for additional beds and modern equipments.

Very often facilities for which Board donates grants form a minor part of a big scheme sponsored by the State Governments. The implementation of these schemes by the State Governments involves coordination among the concerned Departments of the Government like P.W.D., Health, Revenue, Finance etc. They have to follow the prescribed procedures before taking up the schemes for implementation, which is a time consuming process. Thus there is considerable delay in implementation of these schemes by the State Governments. Until the schemes are completed in all respects, the State Government authorities will not furnish utilisation certificates in respect of the Board's grants which are given to supplement a part of the expenditure of the schemes. This appears to be the main reason for the abnormal delay in utilisation of the grant as also in furnishing the utilisation certificates by the State Governments, in spite of the Board pursuing the matter vigorously with the concerned Officers of the State Governments.

7.4. The Committee asked whether it was not feasible to release the contribution of the Board towards the end of completion of the projects. The Chairman of the Board Stated: "They would not accept it. That went on. They deposited it before the programme was taken up by them. And they in turn would like to make available certain moneys to a particular project which was already there. It is true that even in C.P.W.D.

and other departments when we ask them to provide for housing and other things, first of all, we are asked to deposit the amount with them then only they proceed with the construction of the houses." The Commerce Secretary stated: "I think it is a relevant question of following the financial rules by Union Government as well as the States and by the Public Accounts Committee. The normal rule is that no government will be able to take up the scheme or execute the scheme unless all the parties have contributed their portion of the amount. You have made an important point and some pressure will be kept along the lines you have mentioned although it is difficult to work on those lines."

7.5. The Committee desired to be furnished with a note on the performance of the Coffee Board. In a note, the position relating to grant of donations towards Medical Aid and grant of Educational Stipends for children of Coffee Estates workers for the last 10 years was stated as follows:

Sl. No.	Year	MEDICAL AID		EDUCATIONAL STIPEND		Total amount sanctioned for Medical aid and stipend
		No. of cases in which grants were made	Amount Rs.	No. of grantees	Amount Rs.	
1.	1964-65	12	1,40,000	2504	1,56,301	2,96,301
2.	1965-66	11	1,11,824	725	78,741	1,90,565
3.	1966-67	9	95,800	599	66,782	1,62,582
4.	1967-68	9	66,650	278	31,678	98,328
5.	1968-69	11	98,500	571	74,299	1,72,799
6.	1969-70	8	55,701	986	87,500	1,43,201
7.	1970-71	6	61,500	1635	1,18,500	1,80,000
8.	1971-72	4	30,400	1702	1,49,600	1,80,000
9.	1972-73	7	88,000	868	91,300	1,79,300
10.	1973-74	6	80,000	2100	1,45,000	2,25,000

7.6. As regards future programme, the Board have stated that these two schemes are becoming more popular. According to the present

indications, the Coffee Board may be able to meet the full requirements with a budget provision of Rs. 4 lakhs per year.

7.7. The Committee asked why the performance of the Board in labour welfare was unsatisfactory. The Chairman of Board stated: "We have been able to spend all the money that has been made available to us. So far as the labour welfare measures are concerned, unfortunately the money is too little to go around." Asked about the arrangement made to collect more money, the witness stated: "We cannot collect it, must come through the voted budget." Asked about the steps taken for construction of quarters, the witness stated: "We have asked for more grants from the Government. We have been asking for the last couple of years. Last year, we had asked for Rs. 4 lakhs." Asked about the strength of workers in the Coffee Industry, the witness replied: "About 2.5 lakh people." Asked whether a grant of Rs. 4 lakhs would be sufficient, the witness replied "It is very meagre. What we contribute towards the labour welfare measures is only marginal. Basically, it is the responsibility of the planters according to the Plantation Labour Act. We hope to do whatever is possible within our resources." Asked about strength of workers in Coffee Houses and Depots, the witness stated that it was 447.

7.8. The Committee desired to be furnished with a statement showing the grants and the actual amounts made available for the purpose during the last 10 years and the steps taken or proposed to be taken to provide adequate funds for labour welfare. In a written reply it has been stated that section 31(2) (e) of the Coffee Act provides that one of the purpose for which the general fund could be utilised is for meeting the expenses for securing better working conditions and the provision and improvement of amenities and incentives for workers. Accordingly, the funds required for labour welfare measures in coffee plantations towards medical aid and grant of educational stipends to children of plantation workers are provided for in the Budget Estimates of the General Fund of the Board. The amounts sanctioned by the Government each year are spent towards grants for medical aid and educational stipends.

In this connection it may be added that provision of amenities to the workers on coffee plantations is essentially a State subject and under the Plantation Labour Act is obligatory on the part of the planters to provide amenities to their workers. Allocation of funds towards the scheme administered by the Board in respect of medical aid and educational stipends from out of its own funds is nominated. Also, the funds made available by the Board are in the nature of supplementing the amounts required for securing better amenities and incentives for workers on coffee plantations.

7.9. A statement showing the grants asked for by the Board and the actual amount made available for Labour Welfare Measures during the last 10 years is furnished below:

Sl. No.	Year	Amount asked for in the Board's Budget under Labour Welfare Measures	Amount sanctioned by the Govt.
		Rs.	Rs.
1.	1964-65	3,00,000	2,00,000
2.	1965-66	3,35,000	2,00,000
3.	1966-67	2,00,000	1,75,000
4.	1967-68	2,00,000	1,00,000
5.	1968-69	2,00,000	1,75,000
6.	1969-70	3,00,000	1,75,000
7.	1970-71	3,00,000	1,80,000
8.	1971-72	1,80,000	1,60,000
9.	1972-73	3,62,000	2,00,000
10.	1973-74	4,00,000	2,25,000

All the requests for grants under Labour Welfare Measures could not be complied with fully for want of funds. While sanctioning the grants, the Board had to limit the sanction to the urgent needs under Medical Aid and also had to limit grant of educational stipends to certain categories of students.

During 1972-73, only applicants who were in receipt of stipends previously were granted stipends and no new applications were entertained.

In the Budget for the year 1974-75 a provision of Rs. 4 lakhs has been suggested towards Labour Welfare Measures.

In the revised Budget for the year 1973-74 also a provision of Rs. 4 lakhs has been asked for. Government have been requested to approve this provision of Rs. 4 lakhs.

7.10. The Committee are concerned over the delay in utilisation of the grants paid by Board to the State Governments of Mysore and Kerala for construction of wards, supply of equipment and provision of additional beds in hospitals. In the case of grants paid during the years 1961-62

and 1964-65 to 1969-70 amounting to Rs. 1.38 lakhs, utilisation certificates are still awaited. It is stated that in 5 cases funds involving Rs. 35.038 have been fully utilised but the utilisation certificates are still awaited. The Committee desire that necessary steps should be taken to ensure in the remaining 12 cases that the funds are utilised early for the purpose intended and utilisation certificates in all cases rendered to the Board.

7.11. The Committee are thoroughly disappointed at the performance of the Board in regard to grants paid by the Board for labour welfare measures, i.e., medical aid and educational stipend. The donation of the Board for medical aid decreased from Rs. 1,40,000 in 1964-65 to Rs. 80,000 in 1973-74, while that for educational stipends decreased from Rs. 2,96,301 in 1964-65 to Rs. 2,25,000 in 1973-74. In 1973-74, the Board had asked for an amount of Rs. 4 lakhs but only Rs. 2.25 lakhs was sanctioned by Government. The Committee feel that even a grant of Rs. 4 lakhs sanctioned for the purpose would hardly make any real impact on these two limited aspects of welfare, considering that about 2.5 lakh workers are employed in the coffee industry. The Committee strongly recommend that Government should increase the grant substantially on a per capita basis.

7.12. The Committee have been informed that under the Plantation Labour Act, it is obligatory on the part of planters to provide amenities to workers on coffee plantations and it was essentially a state subject. During their visit to some Coffee Plantations and Curing Works by the Study Group of the Committee, they were informed by workers about lack of amenities, poor wages and under employment during off season. The Committee strongly feel that the Board cannot absolve themselves of the responsibility in this regard, as one of the functions of the Board is to secure better working conditions and the provisions and improvement of amenities and incentives for workers. The Committee, therefore, suggest that the Board should pay serious attention to this matter.

7.13. The Committee are distressed to note that even in the Board's own establishments, the working conditions and amenities to workers and staff are not satisfactory. In a Memorandum submitted to the Committee, the staff of the Central Coffee Research Institute, have brought to notice certain difficulties, such as:—

- (i) lack of proper shopping facilities at the remote station;
- (ii) inadequacy of fringe benefits fixed for the staff long time back and need to extend these benefits to all the staff working in the Coffee Demonstration Farms situated in remote hilly areas.
- (iii) need to extend local compensatory allowance to class IV staff.

(iv) very much inadequate number of quarters available for the staff.

The Committee desire that these problems should be carefully examined and necessary steps should be taken to ameliorate the difference of the staff working in remote places.

7.14. The Committee also suggest that the pay scale of the staff of the Coffee Board should be brought to the level of other such bodies through rationalisation of pay scales immediately. The Committee is unhappy to hear that it is pending since 1972.

Conclusion

7.15. As it is constituted at present, the Coffee Board is serving the interest of large growers and big traders. The Board and its Statutory Committees have over-representation of large growers, some of whom have also interests in Pool Agencies-cum-Curing Works and the firms engaged in purchase of coffee in Pool Auction for internal consumption and exports. The present structure of the Board and its Statutory Committees needs to be changed and the consumers should be given representation at par with the growers so that the Board serves the interest of the public at large and the consumers.

7.16. Since its inception, no evaluation has been made of the working of the Coffee Board. It is desirable that the working of the Board should be evaluated by an independent expert commission to assess how far the Board has fulfilled the objectives and to suggest improvements for future.

NEW DELHI,
April 25, 1974.

Vaisakha 5, 1896(S).

JYOTIRMOY BOSU,
Chairman,
Public Accounts Committee.

APPENDIX

Summary of main Conclusions/Recommendations

S. No.	Para No.	Ministry/Department Concerned	Conclusions/Recommendations
1	2	3	4
1.	1'4	M/o Commerce	<p>The Committee note from the Accounts of the Coffee Board that the expenditure on Administration met from the General Fund (grants paid by Government from proceeds of excise duty) increased from Rs. 19.57 lakhs in 1963-64 to Rs. 22.64 lakhs in 1971-72 <i>i.e.</i> by 15.6 per cent. But the expenditure on the Administration on Marketing which is met from the Pool Fund (credited from transactions relating to marketing of coffee) increased from Rs. 17.02 lakhs in 1963-64 to Rs. 50.78 lakhs in 1971-72 <i>i.e.</i> by 198.3 per cent. The Committee feel that there is need to keep a close watch on the administrative expenditure met out of the poll fund. The Committee desire that the Board should take necessary measures to effect economy in expenditure on allowances and contingencies.</p>
2.	1'8	-do-	<p>Section 32(2) of the Coffee Act permits the transfer of excess in the pool fund (left after meeting expenditure on payments to growers storage marketing etc.) to the general fund. The Coffee Board has not yet considered it necessary to transfer excess amounts pertaining to the years 1964-65, 1965-66 and 1966-67. The Committee desire that an early decision in this regard should be taken by the Board.</p>

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M/o Commerce

The Committee are concerned to note that the number of vehicles of the Coffee Board has increased from 25 in 1970-71 to 42 in 1972-73. The Committee feel that the justification for the increase in the number of vehicles needs examination. The Board proposes to add more vehicles to the fleet by replacing motor cycles provided to the Junior Liaison Officers of the Research Department by jeeps gradually and by replacing jeeps provided to the Senior Liaison Officers with cars. In the context of the present need for economy in the consumption of petrol, the Committee desire that before adding new vehicles to the fleet, the Board should consider whether the actual requirement justifies the need. It should be carefully examined whether there is need for 4 cars for the Officers of the Board at Head Office and one car for the Special Officer (Promotion) in New Delhi. The Committee would like to be informed about the economy effected in reducing the number of vehicles. The Committee however feel that the field staff should get scooters or Motor Cycles so that they can undertake intensive touring.

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The Committee would like to be informed whether the expenditure on purchase and running of vehicles provided to the departments other than marketing is provided from General Fund. If the expenditure is met out of the Pool Fund, the justification therefor may be explained.

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The Committee are disappointed to know that there has been only marginal increase in the area under Coffee cultivation since Independence,

The area has increased from 88,562 hectares in 1947-48 to 1,39,478 hectares in 1971-72. The Committee understand that until recently there were limitations imposed on the member countries of the International Coffee Organisation on the expansion of area under coffee cultivation (The agreement expired on 1st October, 1973).

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| 6. | 2.7 | M/o Commerce | <p>At present 61 per cent of the total area under coffee cultivation exists in Karnataka State, 22 per cent in Kerala and 16 per cent in Tamil Nadu and the balance of 1 per cent in other States like Andhra Pradesh, Orissa etc. In Andhra Pradesh, as a result of a scheme launched by the Forest Department in 1961 only 1200 acres have been opened to coffee cultivation. It is proposed to increase the area to 12,000 acres in that State by the end of the 5th Plan. Coffee cultivation has still been kept in an experimental stage in Assam, Orissa and West Bengal. The Committee are not at all satisfied with the progress made so far to expand areas under coffee.</p> |
| 7. | 2.8 | -do- | <p>The Committee desire that the Coffee Board should immediately draw up a time target plan for expansion of area of Coffee in consultation with the State Government concerned.</p> |
| 8. | 2.9 | -do- | <p>In Andhra Pradesh where the results of Coffee Production are encouraging and a survey undertaken by the Forest Department has indicated that about 15,000 to 16,000 acres are available in Visakhapatnam and East Godavari District for profitable introduction of Coffee, necessary steps should be taken to ensure that this area is brought under Coffee cultivation according to the plan and the State Government assist-</p> |

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			ed financially to the extent necessary. This is more necessary for the reason that it will help extremely backward areas and tribals and other backward communities living on them. The Committee desire that the Ministry of Home Affairs (Tribal Welfare) should take advantage of Coffee development in the area to make a dent in the problems of high unemployment amongst the tribals, low wages and lack of medical, housing and other amenities.
9.	2.10	Min. of Commerce	In the States of Assam, West Bengal and Orissa where Coffee production is still in a somewhat experimental stage, the Committee stress that research efforts should be intensified to make coffee production a success within the shortest possible time. Thereafter necessary steps should be taken to expand the area under production.
10.	2.11	-do-	The Committee stress that the Government should take note of the rise in price of Coffee in the World Market in the recent years. In view of the fact that the Coffee production is expected to be a profitable commercial proposition, adequate allocation should be made for the development of the Industry in the Five Year Plan.
11.	2.27	-do-	The Committee note that the total production of coffee increased from 16,054 tonnes in 1947-48 to 87,000 tonnes in 1972-73. The average yield per hectare has increased from 177 Kg. in 1947-48 to

495 Kg. in 1971-72. The production of coffee is, however, subject to wide fluctuation from year to year. The production which touched an all time record of 1,10,300 tonnes in 1970-71 declined to 69,000 tonnes in 1971-72. The Committee understand that the fluctuations could be regulated by installation of sprinkler irrigation equipment to combat the failures of timely rains (blossom showers) and by larger inputs of fertilisers. The Committee find that out of an area 80,000 acres that is irrigable, the area benefitted under the scheme is 42,991 acres (7,385 acres for small growers and 35,606 acres for large growers). The Committee stress that the Coffee Board should take necessary measures to bring the remaining 50 per cent or so of the irrigable area under the scheme, particularly that belonging to the small growers. The Board should also take steps to secure adequate supply of fertilisers and insecticides from the Ministry of Agriculture etc. with a view to increasing the inputs particularly by small growers. The Committee would like to know the action taken by the Board.

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12.

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-do-

The Committee find that average annual rate of growth of 5.244 per cent estimated for 5th Plan period by the Board is lower as compared with some other important coffee growing countries. The Committee stress that the Board should address themselves to the question of increasing the average rate of growth rate as well as the average yield per hectare which is much lower than that of some important countries like Costa Rica (1271.96 Kg), El Salvador (970.07 Kg.), Guyana (975.00 Kg) etc.

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13. 2.5 M/o Commerce The Committee regret to observe that the Coffee Development Plan launched towards the close of 1956-57 with emphasis on bringing out the potentialities of the small holdings has not helped small growers to the desired extent as will be seen from the following:

(i) The facility of loans under the scheme of the hire purchase of equipment and replantation has been made available even to large growers who may not merit such assistance and who can afford to borrow from market at higher rates of interest.

(ii) Out of total loan of Rs. 507.36 lakhs disbursed upto 1972-73, an amount of more than 50 per cent is accounted for by hire purchase of equipment and machinery scheme. Out of the amount of Rs. 261.95 lakhs (total 77892 hectares) given under this scheme, the small growers received only Rs. 159.95 lakhs whilst the large growers (58561 hectares) Rs. 102 lakhs. According to the sub-Committee appointed by the Board to study the problems of small growers, more enlightened among the planters benefit more by such assistance, while those in small growers category accounting for 97 per cent of the total registered growers have to carry on by and large on their own. It has been admitted by the Board that there has been difficulty even in organising cooperatives to provide custom service in equipment like sprinkler to the small growers who cannot themselves afford to go in for this comparatively costly item.

(iii) Out of total area of 1,20,000 acres requiring replantation according to the Board's estimate in 1964, the replanting loan scheme covered only an area of 3,478 acres. According to the Board's estimate an area of 55,000 acres has been replanted so far by the growers themselves or with assistance from other sources.

(iv) Out of the total amount of Rs. 53.57 lakhs sanctioned under replanting scheme started in 1968-69 the large growers received as much as Rs. 36,63 lakhs and small growers only Rs. 16.94 lakhs.

(v) Under the Intensive Cultivation Scheme started in 1956-57 particularly for small growers, only loans of Rs. 100,68 lakhs have been disbursed during the period of 16 years. Out of total planted area of 1,47,260 acres belonging to the registered small holders only area of 14,965 (10.8 per cent) acres has been covered under the scheme during the period of 16 years. The target proposed for the Fifth Plan is 5,000 acres involving a total outlay of Rs. 91 lakhs. The slow progress of the scheme, the Committee understand, is due to the fact that these loans are advanced against the mortgage of immovable property. The handicap of the small grower is his prior indebtedness and difficulty in producing documents to establish his legal title. The provision made by the Board to permit the borrower to utilise upto 30 per cent of the loan for discharge of prior debt has often proved inadequate.

(vi) For repayment of loans, the small growers enjoy a meagre concession of only $\frac{1}{2}$ per cent in the rate of interest as compared with large growers. The large growers are charged net rate of interest of $7\frac{3}{4}$ per

cent and the small growers $7\frac{1}{4}$ per cent. It has been stated that it is not desirable to charge a higher rate of interest on the loans advanced to large growers on the analogy of the approach adopted by commercial banks or other financial institutions, as such an approach on the part of the Board is most likely to defeat the purpose for which the plan was launched. The Committee are unable to agree to this.

14.

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Min. of Commerce

The Committee are dissatisfied with the working of the Coffee Development Plan. Although the area under cultivation of small growers (77,892 hectares) at present is larger than that of large growers (58,561 hectares) their total production of coffee is still less than that of large growers. It is possible that this is so because small growers have not received adequate attention. During the year 1970-71 average yield per hectare was as low as 647.42 kg. in case of small holding as against 1021.19 kg. in case of large holdings. In order that the Development Plan should have the desired impact on increasing the productivity of the small growers, the Committee strongly feel that the Development Plan needs reorientation. The Committee desire that action may be taken on the following lines:

- (i) sufficient funds should be made available for assistance to the small growers at more liberal terms of repayment with higher percentage of subsidy.

(ii) Large growers who can afford to borrow from commercial banks should either be discouraged from the Development loan schemes or charged the market rate of interest.

(iii) The Board should with active co-operation of the State Governments encourage setting up of cooperatives of small growers which has not been done very much so far as that they may have the benefit of machinery and equipment which individual small growers cannot afford to purchase.

15.

2.53

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The Committee note that the principal sum amounting to Rs. 5.14 lakhs and interest amounting to Rs. 1.24 lakhs in respect of equipment loans and principal amounting to Rs. 2.01 lakhs and interest amounting to Rs. 0.62 lakhs in respect of intensive cultivation loans were over due as on 31st August, 1973. The Committee were informed that there was nothing like bad debts because the Board has total grip over the crop of the individual planters. If so, the Committee are surprised how the amounts which became over due during the period as early as 1964-65 to 1969-70 are still to be recovered. The Committee stress that necessary steps should be taken to recover the over due amounts of principal and interest expeditiously.

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16.

2.54

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A loan of Rs. 1 lakh paid to a Coffee Processing and Co-operative Society during 1964-65 for expansion of its curing and other facilities was repaid by the society promptly. But proposal to grant similar loans to two co-operative societies during 1973-74 was dropped as a result of drastic cut in funds by Government on the Budget grant. The Committee

are anxious that co-operative sector should be encouraged to undertake of the societies should be considered during the financial year 1974-75. financial assistance by the Board. The Committee desire that the requests of the societies should be considered during the financial year 1974-75.

17.

3.12 Min. of Commerce

Although under the Coffee Act the production and distribution of coffee is controlled by the Coffee Board, the Committee find that in actual practice the interest of large growers is playing a decisive role in entire operation of the industry. According to information given to the Committee, out of 31 firms of pool agents and curers, 8 are owned by large growers; besides some of the directors and share-holders of companies and cooperatives may be large growers. Again the firms owned by or having interests of large growers purchase coffee in auctions for internal consumption and export. The Committee are of the opinion that as it is, the Board is serving the interests of large growers and large traders. The Committee desire that Government should look into this vital aspect and ensure that the Board primarily serves the interest of public at large and consumers. With this end in view, Government should review the entire structure of the Board and its statutory committees which have overwhelming representation of large growers. The Committee strongly feel that the representation given to the consumers especially in deciding marketing and pricing policies should be at par with that of grower as otherwise the public interest will suffer.

18. 3'13 -do-

The functions of the pool agency and curing of coffee have been combined in the same firms. These firms therefore get remuneration for the agency and curing. Apart from agency remuneration at the rate of Rs. 27 per tonne 1 per cent on the total payments to the grower is paid to pool agents. It was admitted by the Commerce Secretary that the system of payment of 1 per cent on sales was unsound as this did not correctly represent the return on the capital employed on the curing work. If so, the Committee are surprised how this defective system was adopted in the past and still being continued. The Committee were informed that the report of the Cost Accounts Officer who recently went into this question was under consideration. The Committee would like to be informed about the final decision in the matter.

19. 3'14 -do-

The Committee recommend that pool agency and curing establishments should be taken over forthwith and no labour saving devices like introduction of polishing machine should be allowed.

20. 3'41 -do-

The Committee note that export of coffee increased from 25,071 tonnes in 1962-63 to 40,104 tonnes in 1971-72. According to the International Coffee Agreement which expired on 1st October, 1973 a quota was used to be fixed for export by the member country each year, the quota for India being 25,380 tonnes. The increase in the export in the recent years was due to the increased exports to non-quota countries under bilateral agreements. The Committee are of the view that the International Coffee Agreement was not at all favourable to India even in regard to exports, in as much as the exports to quota countries were limited to the quota fixed for each year. With the expiry of the

agreement with effect from 1st October, 1973, the country is free to increase exports to erstwhile quota countries besides non-quota countries. In the world market, Indian coffee which is graded as "other milds" is in quality only next to 'Columbian milds'. In the group of 'other milds', Indian Coffee is on the top. In view of high quality of Indian Coffee, it should not be difficult to increase exports to the existing buyers and explore new markets. The Coffee Board should address themselves to the new situation.

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3.42

Min. of Commerce

From the figures furnished to them, the Committee find that the annual average of prices of coffee obtained in export auctions in early sixties were less than annual average prices secured in internal auctions (excluding of taxes), although the quality of coffee offered for export is of top quality. However, in the recent years the trend is that higher prices are secured in export auctions. It has been stated that the Coffee Board has some machinery to keep themselves abreast of the prices in world market and fix minimum release prices for bids. The Committee are anxious that Indian Coffee should attract a prices in the export market that is commensurate with its high quality. For this purpose it may be necessary to study the actual retail prices in the important consuming countries besides getting acquainted with the wholesale prices.

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22.

3.43

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The present system of exporting coffee through private trade is fraught with manipulations by exporters by inter locking capital with

marketing and blending firms abroad. In case of exports to East European countries the Coffee Board have from 1972 made certain sales directly and going through State Trading Corporation. The Committee strongly recommend that the Board should canalise the entire exports through the Coffee Board instead of private channels. Besides they should also explore the possibilities of opening coffee depots for retail sale abroad. For propaganda purpose they should combine their efforts with that of Tea Board.

23.

3.55

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The Committee note that under the system obtaining prior to 1967, out of the total quantity of coffee earmarked for the internal consumption, 15 per cent was set apart for cooperative societies and 10 per cent for the Indian Coffee Depots of the Propaganda Department of the Board. The allotments were made at the minimum release prices. The price at which the cooperative societies in turn sold coffee to consumers were regulated by the Board by adding handling expenses and a margin of profit found necessary, while in the case of India Coffee Depots, the sale prices to the consumers were fixed by adding to the minimum release prices the expenses incurred in running the depots. Under the revised system introduced in October 1967 the cooperative societies and the India Coffee Depots were allotted coffee at the average prices secured in open pool auctions in the preceding month less a discount of 2½ per cent instead of the minimum release prices. The object was to enable these agencies to distribute coffee to public at a little lower level of prices though not considerably lower as in the past. Although the allocation remained the same, the actual releases through these channels considerably decreased. In the year 1972, the quantity released through

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Min. of Commerce

India Coffee Depots and Cooperative Societies was 6 per cent and 1 per cent respectively of the total quantity released in the internal market. The Committee regret that, the revised system has not helped to hold the price line and consequentially interests of consumers suffered.

Owing to a fall in production in 1969-70 and a lesser release of coffee in the internal market, there was sharp rise in the average consumer retail price in 1970. The Board practically did nothing to hold the prices, although under Section 16 of the Coffee Act, the Government could fix the whole sale and retail prices. The Committee regret that the Board did not move in the matter at that time. The release of Coffee through the Propaganda Department and Co-operative Societies did not increase being only 6 per cent and 2 per cent respectively. The Committee desire that the Board should keep a close watch over the consumer retail prices in future and if necessary advise the Government to use the power under Section 16 of the Coffee Act.

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The Committee note the Marketing Committee of the Board in October, 1971 considered the poor off take of coffee from the Propaganda Department Deposits and decided to allot coffee powder to the Propaganda Department at minimum release price. But the Marketing Committee had not yet considered the question of allotment of raw coffee seeds to the Propaganda Department at the minimum release price. The Committee expect the Board to protect the interests of the consumer and

minimise his exploitation by the big traders and middlemen. The Committee therefore strongly recommend that the system of release of coffee seeds to the Propaganda Department and Cooperative Societies at the minimum release price should be restored early. The Committee desire that the Board should ensure that out of the total quantity earmarked for internal consumption, the cooperative societies and India Coffee Depots do get their share of 15 per cent and 10 per cent respectively. They cannot help feeling that the Marketing Committee as it is constituted today does not adequately safeguard the interests of the consumer. The Committee also recommend, considering many aspects, that net work Depots should be created all over the country by the Board.

26.

4.16

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At present 4 plants in the country are producing instant coffee having an installed capacity of about 2,000 tonnes. It is regretted that almost all the four plants are controlled by Foreign Monopolists. And the Coffee Board has been unconcerned about this. The actual production of instant coffee had increased from 1361 tonnes in 1970 to 1847 tonnes in 1972. The quantity sold for internal consumption had increased from 1021 tonnes in 1970 to 1307 tonnes in 1972, but that sold for exports had only increased from 232 tonnes to 382 tonnes, in spite of the incentives given by Government. The bulk of the exports have been made to USSR and Yugoslavia. The general feeling of the manufacturers is that the ex-factory price of Indian instant coffee is high and that it is outpriced by Brazilian East African and other coffees which sell at considerably cheaper rates. The ex-factory price of the instant coffee is stated to be Rs. 53 per kg. based on the export price of raw coffee. The Committee however find it difficult to accept this. In 1969 in connection with supply of

soluble coffee for the defence requirements M/s. Nestles. Products (an allied concern of M/s. Food Specialists) had quoted price of Rs. 34.95 per kg. Accordingly to the Ministry of Commerce, the same firm had indicated a price of Rs. 55.83 per kg. for the quarter ended December 1969 and its ex-factory price was Rs. 38/- per kg. in 1969 based on the Export price of raw coffee. The question therefore arises how the firm could quote Rs. 34.95 per kg. in their tender. The Committee stress that a cost analysis of the production cost of the factories should be made early with a view to regulating internal prices. The retail price in June, 1973 seems to have been as high as Rs. 76.60 per kg. The Committee do not appreciate unconcerned approach of the Board towards the activities of the instant coffee industry dominated by foreigners.

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4.17

Min. of Commerce

The Committee regret that not much progress has been made in processing the proposal for setting up an instant coffee plant in the joint sector during the last 2 years. The Board has not even cared to consult Ministry of Commerce in this regard. This gives an impression that the Board wanted the business to remain in the hands of foreign companies. The Committee desire that the various issues arising out of the proposal should be settled early. The Committee are of the opinion that the instant coffee industry has great potentiality for export and the Board should therefore proceed in the matter without involving any private entrepreneur. The Committee would like to know the outcome of the proposal.

The Committee note that the Coffee Board are running 42 India Coffee Depots for retail sale of coffee seeds and powder, 9 Coffee Houses and 3 Coffee Vans as part of propaganda for increasing consumption of coffee in the internal market. Considering the projected increase in production in the coming years, the Board propose to intensify the propaganda efforts for internal consumption by increasing the number of coffee depots from 42 to 101, coffee houses from 9 to 31 and coffee vans from 3 to 21. The total expenditure on internal publicity is expected to increase from Rs. 24.90 lakhs in 1973-74 to Rs. 86.55 lakhs in 1978-79. The Committee are surprised that while the Board are alive to some extent to the problem of publicity and propaganda in the internal market they are not paying the same attention to the external publicity. The expenditure on external publicity is proposed to be increased from Rs. 4 lakhs in 1973-74 to Rs. 9 lakhs only in 1978-79. The Committee appreciate that in the past in view of limited quota for export fixed by the International Coffee Organisation, there was not much scope for external publicity. With the recent termination of quota system, the Committee feel that the situation requires greater attention to external publicity than internal publicity with a view to not only sustaining the present level of exports but increasing them substantially. The effort should be to substantially divert the surpluses of production expected in the future years to exports. With this end in view, the Committee desire that the Board should carefully examine what export promotional measures to boost exports of both raw and processed coffee are necessary. In the opinion of the Committee, considering the high quality of Indian coffee, this task should not be difficult. To begin with, proper marketing research in various coffee consuming countries may be undertaken.

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29. 5.9 Min. of Commerce
- The Committee appreciate that the Board should step up its promotional measures for internal consumption of coffee. But, in the opinion of the Committee, such a high level of expenditure as is envisaged for the purpose may not be necessary. The Committee are however in favour of increasing the number of India Coffee Depots/Houses adequately both in the traditional and non-traditional regions both for the purpose of propaganda and holding the price line. As regards the coffee houses, the Committee have dealt with the question of losses suffered by the coffee houses, in the succeeding section. The Committee are of the view that new units must be opened in big cities and tourists centres but these should be run on no profit and no loss basis as far as possible. To start with in all big cities with a population of 1 lakh and above and distt. towns, it should be done. The Coffee Board should have precedence over others in the matter of opening coffee buffets at Airports and important railway stations/dining cars and Government Establishments/Public sector Undertakings as may be necessary so as to ensure that coffee that is served is of good quality and is reasonably priced. Such a step would also serve to popularise coffee in the country. Further the purchases of coffee seed/powder should be through the coffee board.

30. 5.18 -do-
- The Committee note that some losses have been suffered by the Coffee Houses. The losses have increased from Rs. 1.87 lakhs in 1964-65 to Rs. 7.13 lakhs in 1971-72. The Committee accept the argu-

ment that the Coffee Houses being mainly meant for propaganda purpose need not make profits. The Committee are however anxious that the Coffee Houses should be run on 'no profit and no loss basis' as far as possible. The Committee therefore suggest that apart from periodically revising the price of coffee in cups, necessary economy should be effected in the overhead expenditure. It would be desirable that new units should be furnished at a modest scale strictly from the utility point of view and there should be no resort of luxurious items such as air-conditioning etc. The Committee desire that the Board should draw up a standard pattern of furniture etc. to be followed in future.

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| 31 | 5.19 | Do | The Committee are surprised that 27 workers are employed in Coffee Houses on daily wages. The Committee desire that prompt action should be taken to make them regular, and future appointments should only be on those lines. |
| 32 | 5.23 | Do | The Committee regret to note that coloured 35 MM film entitled "Coffee country" produced in September, 1966 for increasing sale of Indian Coffee within the country and abroad has not yet been reduced to 16 MM and dubbed in foreign languages for exhibition abroad. The Committee desire that necessary steps should be taken to have the reduction film prepared and dubbed expeditiously. |
| 33 | 6.8 | Do | While the Committee appreciate the work done by the Research Department in the field of plant breeding, plant protection and plant nutrition they regret that the results of the research work have benefitted only the large growers. The extension services of the Coffee Board till |

recently were engaged primarily in overall crop improvement on the larger and better organised units, to achieve quick increase in overall production. The Committee are anxious that some positive and effective measures should be taken to bring benefits of research work to the holdings of numerous small growers who constitute nearly 97 per cent of the total number of growers so as to increase their productivity and ensure profitability.

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6.9

Min. of Commerce

The Committee find that in the past, the research and extension work was mainly directed to crop improvement in arabica production, as arabica was in greater demand in foreign markets as compared to robusta which fetched lower prices. The position has changed during the last 2-3 years. A proposal to set up a research centre for robusta is awaiting approval of Government. The Committee are not satisfied with lack of attention to the research work on Robusta in the past merely because it fetched lower price in foreign markets. The Committee desire that the research effort towards Robusta should be intensified.

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6.10

Do

The Committee find that there is need for new demonstration farms for the benefit of small growers and regional testing laboratories but it has not been possible to establish them because of budget cuts in the expenditure of the Research Department. The expenditure of the Research Department has increased from Rs. 15.69 lakhs in 1955-56 to Rs. 30.18 lakhs in 1972-73. The Committee stress that adequate funds

should be provided to the Research Department to carry out its activities that are particularly helpful to the small growers.

- 36 6.11 Do. The Committee have been informed that experiments are being conducted for cultivation of coffee in Assam, Orissa and Andamans since fifties under the supervision of State Government Departments. The officers of the Research Department have only occasionally rendered advice to the State Government authorities. The Committee desire that Research Department of the Coffee Board should seriously guide these experiments with a view to producing tangible results. The Board should establish their own demonstration farms or depute some research staff to these States like Andhra, Orissa etc.
- 37 6.12 Do. The Committee desire that the pay scales of scientists and research staff of the Coffee Board should be comparable with those in the other organisations like Indian Council of Agricultural Research.
- 38 6.15 Do. The Committee are dissatisfied with the non-utilisation of an equipment (Stigmatic grating spectrograph) for the last about 7 years for want of a trained hand who had been deputed for higher studies at I.A.R.I. While the Committee appreciate the difficulty in getting persons trained for the sophisticated equipment, this position should not be allowed to continue for several years. It is no satisfaction that the equipment is still in working order, if the important research for which it was meant has suffered for a long period. The Committee suggest that in future at least two persons should be trained in handling such equipment, so that if one is away the work may not suffer.

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39	6.18	M/o Commerce	<p>The Committee are disappointed at the manner in which the land for the Research Station, Chethali was purchased in 1947. Ten years after the purchase, it came to notice that a part of the land (3.65 acres) was encroached upon by the original owners. But even at that late stage, no action appears to have been taken by the Board to vacate the encroachment although the legal Advisor had advised that if the party retained the property for over 12 years it would be difficult to evict it due to the law of limitation. It was only in 1967 that the State Government authorities were moved in the matter. The attempts of the Board to have the name of the owner deleted from records have not been successful and a civil suit is now proposed to be filed. The Committee hope that this will be done without delay. The Committee desire that it should be examined whether responsibility can be fixed for the failure of the officers in this case. The Committee would like to be informed about the action taken.</p>
40	7.10	Do.	<p>The Committee are concerned over the delay in utilisation of the grants paid by Board to the State Governments of Mysore and Kerala for construction of wards, supply of equipment and provision of additional beds in hospitals. In the case of grants paid during the years 1961-62 and 1964-65 to 1969-70 amounting to Rs. 1.38 lakhs, utilisation certificates are still awaited. It is stated that in 5 cases funds involving Rs. 35.038 have been fully utilised but the utilisation certificates are still</p>

awaited. The Committee desire that necessary steps should be taken to ensure in the remaining 12 cases that the funds are utilised early for the purpose intended and utilisation certificates in all cases rendered to the Board.

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7.11

Do.

The Committee are thoroughly disappointed at the performance of the Board in regard to grants paid by the Board for labour welfare measures i.e. medical aid and educational stipend. The donation of the Board for medical aid decreased from Rs. 1,40,000 in 1964-65 to Rs. 80,000 in 1973-74, while that for educational stipends decreased from Rs. 2,96,301 in 1964-65 to Rs. 2,25,000 in 1973-74. In 1973-74 the Board had asked for an amount of Rs. 4 lakhs but only Rs. 2.25 lakhs was sanctioned by Government. The Committee feel that even a grant of Rs. 4 lakhs sanctioned for the purpose would hardly make any real impact on these two limited aspects of welfare, considering that about 2.5 lakh workers are employed in the coffee industry. The Committee strongly recommend that Government should increase the grant substantially on a *per capita* basis.

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7.12

Do.

The Committee have been informed that under the Plantation Labour Act, it is obligatory on the part of planters to provide amenities to workers on Coffee Plantations and it was essentially a State subject. During their visit to some Coffee Plantations and Curing works by the Study Group of the Committee, they were informed by workers about lack of amenities, poor wages and under-employment during off season. The Committee strongly feel that the Board cannot absolve themselves of the responsibility in this regard, as one of the functions of the Board is to

secure better working conditions and the provisions and improvement of amenities and incentives for workers. The Committee, therefore, suggest that the Board should pay serious attention to this matter.

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7 13

M/o Commerce

The Committee are distressed to note that even in the Board's own establishments, the working conditions and amenities to workers and staff are not satisfactory. In a Memorandum submitted to the Committee, the staff of the Central Coffee Research Institute, have brought to notice certain difficulties, such as:

- (i) lack of proper shopping facilities at the remote station;
- (ii) inadequacy of fringe benefits fixed for the staff long time back and need to extend these benefits to all the staff working in the Coffee Demonstration Farms situated in remote hilly areas;
- (iii) need to extend local compensatory allowance to class IV staff;
- (iv) very much inadequate number of quarters available for the staff.

The Committee desire that these problems should be carefully examined and necessary steps should be taken to ameliorate the difficulties of the staff working in remote places.

44 7.14 Do. The Committee also suggest that the pay scale of the staff of the Coffee Board should be brought to the level of other such bodies through rationalisation of pay scales immediately. The Committee is unhappy to hear that it is pending since 1972.

Conclusion

45 7.15 Do. As it is constituted at present, the Coffee Board is serving the interest of large growers and big traders. The Board and its Statutory Committees have over-representation of large growers, some of whom have also interests in Pool Agencies-cum-Curing Works and the firms engaged in purchase of coffee in Pool Auction for internal consumption and exports. The present structure of the Board and its Statutory Committees needs to be changed and the consumers should be given representation at par with the growers so that the Board serves the interest of the public at large and the consumers.

46 7.16 Do. Since its inception, no evaluation has been made of the working of the Coffee Board. It is desirable that the working of the Board should be evaluated by an independent expert commission to assess how far the Board has fulfilled the objectives and to suggest improvements for future.

