

# **ESTIMATES COMMITTEE 1962-63**

## **THIRTY-FIRST REPORT**

**(THIRD LOK SABHA)**

**MINISTRY OF FOOD AND AGRICULTURE**

**(DEPARTMENT OF AGRICULTURE)**

**Action taken by Government on the recommendations  
contained in the Hundred and Thirty Second Report  
of the Estimates Committee (Second Lok Sabha)**

**INDIAN CENTRAL TOBACCO COMMITTEE, MADRAS**



**LOK SABHA SECRETARIAT  
NEW DELHI**

***April 1963/Chaitra-Vaisakha, 1885 (Saka).***

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## **ESTIMATES COMMITTEE, 1962-63**

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### **SECRETARIAT**

**Shri N. N. Mallya, Deputy Secretary.**

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\*Elected w.e.f. 15th November, 1962 *vice* late Shri B.J. Singh.

\*\*Elected w.e.f. 18th August, 1962 *vice* Shri Shivram Rango Rane resigned.

## INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee, present this Thirty-First Report of the Estimates Committee on the Action Taken by Government on the recommendations contained in the Hundred and Thirty-Second Report (Second Lok Sabha) of the Estimates Committee on the Ministry of Food and Agriculture (Department of Agriculture)—Indian Central Tobacco Committee, Madras.

2. The Hundred and Thirty-Second Report was presented to the Lok Sabha on the 13th April, 1961. Government furnished their replies indicating action taken on the recommendations on the 17th December, 1962. These replies and the draft Report were considered by the Study Group 'F' of the Estimates Committee (1962-63) on the 30th January, 1963 and 28th February, 1963. The draft Report was adopted by the Committee on the 1st April, 1963.

3. The Report has been divided into the following four Chapters:

I—Report.

II—Recommendations that have been accepted by Government.

III—Reply of Government that has been accepted by the Committee.

IV—Replies of Government that have not been accepted by the Committee.

4. An analysis of the action taken by Government on the recommendations contained in the Hundred and Thirty-Second Report (Second Lok Sabha) of the Estimates Committee is given in Appendix. It would be observed therefrom that out of 12 recommendations made in the Report 58·3% have been accepted by Government and replies in respect of 8·3% of the recommendations have been accepted by the Committee. Replies of Government in respect of the remaining 33·4% of the recommendations have not been accepted by the Committee.

NEW DELHI;  
*The 5th April, 1963.*  

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*The 15th Chaitra, 1885 (Saka).*

H. C. DASAPPA,  
*Chairman,*  
*Estimates Committee.*

## CHAPTER

### REPORT

In para 18 of their Hundred and Thirty-Second Report (Second Lok Sabha) on Indian Central Tobacco Committee, Madras, the Committee had desired to know how far the quality of Virginia and other types of tobacco had shown improvement and how far it had helped in increased returns to the growers. In reply the Government had stated that in the absence of accurate data regarding quantum of sales and prices paid for different varieties and grades of tobacco, it was difficult to come to any conclusion about improvement in the quality of tobacco grown and returns to the growers. *The Committee do not feel quite satisfied with the Government reply. Since the main function of the ICTC is "to assist in the improvement and development of the production and marketing of tobacco and tobacco products and all matters incidental thereto", it is rather surprising that ICTC does not have any information about the quality of various types of tobacco grown and returns to growers. The Committee consider that the collection of accurate data regarding quality, the quantum of sales and prices paid for different varieties and grades of tobacco is very vital for the development and marketing of the commodity. They trust that at least hereafter concerted efforts would be made by the ICTC to collect such data.*

## CHAPTER II

### RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Sr. No. of Recommendation (as in Appendix II of the 132nd Report of the Estimates Committee)	Reference to paragraph No. of the Report	Summary of Recommendations/Conclusions	Reply of the Government
1	2	3	4
1	5	<p>Though the functions entrusted to the Indian Central Tobacco Committee included marketing, it was paying attention to the development of the agricultural aspect only. In this connection, the Committee would refer to Chapter II of their Hundred and Twenty-Ninth Report (Second Lok Sabha) on the Ministry of Food and Agriculture. The Directorate of Marketing and Inspection wherein they have dealt with the question of marketing of tobacco at length and recommended among others the establishment of regulated markets for tobacco and of Producers' Co-operative for grading.</p>	<p>The Tobacco Committee are now paying increasing attention to the problems of marketing. The Committee have offered financial assistance to State Governments for organising and improving Tobacco Cooperative Societies. A Chief Tobacco Development Officer has also been appointed by the Committee who will <i>inter alia</i> pay attention to improvement of Marketing. The Committee have been instructed to watch progress of the recommendations of the Estimates Committee for improved marketing in collaboration with the Directorate of Marketing and In-</p>

5 13

The Committee feel that the long term investments were made by the Indian Central Tobacco Committee in Government Securities without due forethought as not long thereafter it found itself short of funds. They suggest that in such cases any surplus money should be invested only after very careful consideration of future requirements.

6 14

The Committee feel that expenditure on publicity and marketing should be exhibited separately from administrative expenses in the accounts. They also suggest that efforts should be made to arrest the upward trend in the administrative expenses of the Committee.

7 15

The Committee consider that it would be desirable to indicate in the An-

specation and offer such assistance as may be necessary.

[Ministry of Food and Agriculture, I.C.A.R. No. 4-53/60-Com. IV, dated 17-12-1962].

Funds of the Committee are provided by the Central Government by way of a 'Grant-in-aid' to it and are maintained within the Governments accounts in a banking or non-banking treasury. The Grant Committees are now not allowed to invest their surplus funds, if any, in Government Securities.

[Ministry of Food and Agriculture, I.C.A.R. No. 4-53/60-Com. IV, dated 17-12-1962].

Government agree to this suggestion and the expenditure will be exhibited as suggested. As regards the upward trend of administrative expenditure, utmost economy in expenses consistent with the efficient discharge of the functions of the Committee will be ensured.

[Ministry of Food and Agriculture, I.C.A.R. No. 4-53/60-Com. IV, dated 17-12-1962].

Government accept this suggestion. Instruction to the Committee to



nual Reports the results of application of new methods of cultivation developed by the Indian Central Tobacco Committee and its other allied achievements.

8

16

The Committee suggest that copies of the Annual Reports of the Indian Central Tobacco Committee should also be laid on the Table of the House.

10

23

The Committee understood that there was severe competition among the tobacco exporters resulting in unhealthy market practices like undercutting of prices etc., which are injurious to the trade. They feel that this alone cannot fully explain the wide difference between the imported prices of unmanufactured tobacco and the prices fetched by exports. The Committee suggest that the reasons for the high price paid for imports as well as the low price secured for the exports should be investigated and necessary steps taken to

implement this suggestion have already been issued.

[Ministry of Food and Agriculture, I.C.A.R. No. 4-53/60-Com. IV, dated 17-12-1962].

Government accept this suggestion. The annual reports will be placed on the Table of both Houses of Parliament.

[Ministry of Food and Agriculture, I.C.A.R. No. 4-53/60-Com. IV, dated 17-12-1962].

Imports consist mainly of top grade leaves from U.S.A. and Jafna chewing tobacco from Ceylon whereas the unmanufactured tobacco exported from India consists not only top, medium and low grades of Virginia leaf but also other types such as bidi, chewing, snuff, etc. To see if the prices for imports and exports bear a reasonable relation, the prices of top grade Indian leaf have to be compared with the imported grades. It will be seen from the table below that the relationship between these two prices is not unreasonable:—

see that the prices for imports and exports bear a reasonable relation. They find it difficult to reconcile themselves to such a wide disparity between the differences in price during the period.

The Committee also recommend that research to develop high grade tobacco in the country should be vigorously pursued so that imports could be substantially reduced, if not totally stopped.

(TABLE)			
Year	(Price in Rs. per lb.) Agmark Grades		Imported tobacco
	I	II	
1953-54	3.28	3.06	2.71
1954-55	3.05	2.80	3.26
1955-56	3.20	3.01	3.46
1956-57	3.24	2.79	3.41
1957-58	3.04	3.01	4.30
1958-59	N.T.	2.75	4.09
1959-60	N.T.	3.12	4.72
1960-61	N.T.	3.14	4.39
1961-62	N.T.	3.03	4.49

Note:—N.T. No Transactions.

The imports of unmanufactured tobacco have been reduced from 13.5 million lbs. in 1947 to 2.4 million lbs. in 1961-62. Only very top grades leaves are imported, because the country is unable to produce them at present. Research for improving the quality of tobacco is being considerably intensified.

[Ministry of Food and Agriculture, I.C.A.R. No. 4-53/60-Com. IV, dated 17-12-1962].

It is true that export of manufactured tobacco is more profitable, but there are a number of difficulties in increasing the exports of such tobacco whereas the prospects of unmanu-

Obviously the need is to encourage exports of manufactured tobacco in preference to unmanufactured tobacco. The Committee recommend that special steps for that purpose should be taken by Government.

factured tobacco are much brighter.  
For instance,

(a) exports of bidies have tended to decline owing to competition from cheap cigarettes in many countries, particularly Malaya and Singapore, and also due to restrictions imposed by Ceylon;

(b) export of cigars and cheroots has diminished greatly after the World War owing to a general shift in consumer preference in favour of cigarettes which are cheaper, competition from Netherlands, Jamaica and Cuba, (whose cigars are supposed to be better in quality), and high import duties. The Directorate of Export Promotion are, however, trying to evolve an incentive scheme for promoting exports of cigars.

(c) Indian cigarettes face stiff competition from British and American cigarettes which share 70 per cent of the world trade on this item. The quality of cigarette tobacco produced in India is neutral in

flavour and suitable only for blending with flowered tobacco from abroad. Further, world trade in cigarettes has remained static as many countries have stepped up internal production and reduced imports, a tendency which is continuing. Severe import restrictions and high tariffs have also been imposed.

Though the prospects are not very bright, the Government are making every effort to increase the exports of manufactured tobacco.

[Ministry of Food and Agriculture,  
I.C.A.R. No. 4-53/60-Com. IV, dated  
17-12-1962].

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# CHAPTER III

## REPLY OF GOVERNMENT THAT HAS BEEN ACCEPTED BY THE COMMITTEE

Serial No. of Recommendation (as in the Appendix II of the 132nd Report of the Estimates Committee	Reference to paragraph No. of the Report	Summary of Recommendations/ Conclusions	Reply of the Government
1	2	3	4
3	8	It does not appear desirable that the Finance Sub-Committee, which is more appropriately concerned with control and sanction of expenditure, should also act as the executive body. The Committee suggest that the desirability of having a separate Executive Sub-Committee may be examined.	Government and the Tobacco Committee have examined the proposal and while they agree in principle to have separate Sub-Committee for finance and executive matters, in the present case the volume of work is not sufficient to justify two Sub-Committees. As financial and executive matters are closely interlinked, there is a measure of convenience in combining the functions; besides separate sub-committees will involve additional expenditure.
[Ministry of Food and Agriculture, I.C.A.R. No. 4-53/60-Com. IV, dated 17-12-1962].			

**CHAPTER IV**  
**REPLIES OF GOVERNMENT THAT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE**

Serial No. of recommendation as in the Appendix II of the 132nd Report of the Estimates Committee	Reference to Paragraph No. of the Report	Summary of Recommendations/ conclusions	Reply of the Government	Comments by the Committee
1	2	3	4	5
2	6	It would be necessary and desirable for the Government to get people fully qualified in the technique of production of high class cigarettes so that more and more of indigenous manufacturers, who are in a small minority now, can be assisted with the technical 'know-how'.	It is understood that the indigenous manufacturers of cigarettes are fully equipped and conversant with the techniques of production of high class cigarettes; and do not seem to be in need of further technical assistance. Government will, however, consider requests if any from indigenous manufacturers in this regard. The Ministry of Commerce and Industry who are mainly concerned have been consulted.  [Ministry of Food and Agriculture, I.C.A.R. No. 4-53/60-Com. IV, dated 17-12-1962].	The Committee's intention was that Government should provide the technique of production of high class cigarettes to indigenous manufacturers to encourage the production of such cigarettes in large numbers by them. They therefore, reiterate their earlier recommendation and stress that Government should ensure that indigenous manufacturers produce more high class cigarettes.

- 4 11 The Committee recommend that the Indian Central Tobacco Committee may in future include an Income and Expenditure Account in its Annual Report.
- Government departments generally maintain their accounts on receipts and payments basis and not on income and expenditure basis. A change in this regard will involve maintenance of books on double entry system. The extra labour and expenditure involved is not considered commensurate with the benefits. As such, the accounts of Indian Central Tobacco Committee may continue to be maintained as at present. A statement of assets and liabilities at the close of the financial year will, however, be added to the accounts. This decision has been taken in consultation with the Ministry of Finance and the Comptroller and Auditor General.
- [Ministry of Food and Agriculture, I.C.A.R. No. 4-53/60-Com. IV, dated 17-12-1962].
- 9 18 The Committee are not aware whether the quality of production of Virginia and other types of tobacco has shown any improvement and how far it has helped in giving increasing returns to the growers.
- In the absence of accurate data regarding quantum of sales and prices paid for different varieties and grades of tobacco, it is difficult to come to any conclusion about improvement in the quality of tobacco.
- The contention of ICTC that Government Departments generally maintain their accounts on receipt and payment basis hardly appears to be correct inasmuch as ICTC is not a purely Government Department. Moreover in the case of Coffee Board which is also a non trading concern Government has already accepted a similar recommendation made by the Committee in their 121st Report (2nd Lok Sabha). They, therefore, reiterate this recommendation.
- Please see Chapter I.

grown and the returns to growers. However, the proportion of Indian tobacco used in the manufacture of cigarettes in U.K. has risen from 6.3 per cent in 1950 to 13.2 per cent in 1957 which can be attributed to improvement in quality of tobacco as a result of research efforts as well as of compulsory grading for exports. The Indian exporters have also been able to get better prices for the graded quality tobacco. As authentic data regarding prices at the primary markets is not available it is difficult to say precisely how much of this benefit has been passed on to the growers. It however, appears that the growers would have shared to some extent, the benefits from better prices.

[Ministry of Food and Agriculture,  
I.C.A.R. No. 4-53/60-Com. IV, dated  
17-12-1962].

12

25 The Committee find that at present two agencies are dealing with the promotion of exports of tobacco viz., the Indian Central Tobacco Committee and the Tobacco Export Promotion Council. In this connection, the Committee would refer to

The Government set up a High Level Committee to examine the question of reorganisation of the Commodity Committees, along with the recommendations of the Joint Indo-American Team. The recommendations of the High Level Committee are

The Committee hope that early decision will be taken in the matter.



para 46 of their Hundred and Twenty-Ninth Report (Second Lok Sabha) on the Ministry of Food and Agriculture. The Directorate of Marketing and Inspection wherein they have recommended the feasibility of setting up a Tobacco Board on the lines of Tea/Coffee Board, which may combine the functions of the different organisations at present dealing with tobacco. If there is not enough justification for a separate board for tobacco alone, the question of having a composite board for tobacco and certain other commodities may be considered.

under consideration. The question of the formation of Tobacco Board as recommended is now linked with the recommendations of the High Level Committee and will be decided in the light of decisions that may be taken in that regard.

[Ministry of Food and Agriculture,  
I.C.A.R. No. 4-53/60-Com. IV, dated  
17-12-1962].

NEW DELHI;  
The 5th April, 1963.  
The 15th Chaitra, 1885 (Saka).

H. C. DASAPPA,  
Chairman,  
Estimates Committee.

## APPENDIX

[Vide Para 4 of Introduction]

*Analysis of the action taken by Government on the recommendations contained in the 132nd Report of the Estimates Committee (Second Lok Sabha).*

1. Total Number of recommendations made	..	12
2. Recommendations that have been accepted by Government ( <i>vide</i> recommendations Nos. 1, 5, 6, 7, 8, 10 and 11 referred to in Chapter II):		
Number	..	7
Percentage to total	..	58·3%
3. Recommendation not accepted by Government but reply in respect of which has been accepted by the Committee ( <i>vide</i> recommendation No. 3 referred to in Chapter III):		
Number	..	1
Percentage to total	..	8·3%
4. Recommendations in respect of which replies of Government have not been accepted by the Committee ( <i>vide</i> Recommendations Nos. 2, 4, 9 and 12 referred to in Chapter IV):		
Number	..	4
Percentage to total	..	33·4%

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