

**EIGHTH REPORT**  
**ESTIMATES COMMITTEE**  
**(1985-86)**

(EIGHTH LOK SABHA)

MINISTRY OF COMMERCE—

TOBACCO BOARD



*Presented to Lok Sabha on 9 August, 1985*

**LOK SABHA SECRETARIAT**  
**NEW DELHI**

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(1984-85)

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2. Shri Bipin Behari—*Chief Financial Committee Officer*
3. Shri D. M. Chanan—*Senior Financial Committee Officer.*  
Shri Chintamni Panigrahi

# ESTIMATES COMMITTEE

(1985-86)

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Sh. Chintamani Panigrahi

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1. Shri N. N. Mehra—*Joint Secretary.*
2. Shri Bipin Behari—*Chief Financial Committee Officer*
3. Shri J. C. Malhotra—*Senior Financial Committee Officer.*

## INTRODUCTION

1. The Chairman of Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Eighth Report on the Ministry of Commerce—Tobacco Board.

2. The Estimates Committee (1984-85) took the evidence of the representatives of the Ministry of Commerce on 12, 13 and 22 November, 1984. The Committee wish to express their thanks to the Officers of the Ministry for placing before them the material and information which they desired in connection with the examination of the subject and giving evidence before the Committee.

3. The Committee also wish to express their thanks to the representatives of (i) Central Tobacco Research Institute, Rajahmundry, Andhra Pradesh, (ii) Indian Tobacco Growers Association, Guntur, Andhra Pradesh, and (iii) I.T.C. Ltd., Guntur, Andhra Pradesh for giving evidence and making valuable suggestions to the Committee.

4. The Committee also wish to express their thanks to all other Organisations who furnished memoranda on the subject to the Committee.

5. The Report was considered and adopted by the Estimates Committee (1985-86) on 16 July, 1985.

6. For facility of reference, the recommendations|observations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix to the Report.

NEW DELHI;

July 22, 1985

Asadha 31, 1907 (S)

CHINTAMANI PANIGRAHI

Chairman

Estimates Committee.

## CHAPTER I

### FUNCTIONS & COMPOSITION

#### *A. Introductory*

1.1. Prior to the setting up of the Tobacco Board, there were several agencies to look after the various aspects of Tobacco Industry. However the absence of an apex body to promote integrated development of tobacco industry was keenly felt. There was no organisation to regulate the production of Virginia tobacco which is primarily an export oriented crop. Hence the prices of tobacco at the primary marketing level depended on the fluctuating international demand often to the disadvantage of the growers, particularly in the years of more than normal excess production. The question of securing a remunerative price to the grower had assumed importance. Timely payment to the growers was another problem. Besides, exploration of Markets left much to be desired.

1.2. Hence Tobacco Board was set up by the Government on 1-1-1976 under the Tobacco Board Act, 1975 replacing the erstwhile Tobacco Export Promotion Council, Madras. Preamble to the Act clarifies that it is "An Act to provide for the development under the Control of the Union of the tobacco industry".

#### *B. Functions*

1.3. The functions of the Tobacco Board are envisaged in Section 8 of the Tobacco Board Act, 1975, which reads as under:—

- (1) It shall be the duty of the Board to promote, by such measures as it thinks fit, the development under the control of the Central Government of the tobacco industry.
- (2) Without prejudice to the generality of the provisions of sub-section (1), the measures referred to therein may provide for:
  - (a) regulating the production and curing of virginia tobacco having regard to the demand therefor in India and abroad;
  - (b) keeping a constant watch on the virginia tobacco market, both in India and abroad, and ensuring that the

growers get a fair and remunerative price for the same and that there are no wide fluctuations in the price of the commodity;

- (c) maintenance and improvement of existing markets, and development of new markets outside India for Indian virginia tobacco and its products and devising of marketing strategy in consonance with demand for the commodity outside India, including group marketing under limited brand names;
- (cc) establishment by the Board of auction platforms, with the previous approval of the Central Government, for the sale of virginia tobacco by registered growers or curers, and functioning of the Board as an auctioneer at auction platforms established by or registered with it subject to such conditions as may be specified by the Central Government;
- (d) recommending to Central Government the minimum prices which may be fixed for purpose of export of virginia tobacco with a view to avoiding unhealthy competition amongst the exporters;
- (e) regulating in other respects virginia tobacco marketing in India and export of virginia tobacco having due regard to the interests of growers, manufacturers and dealers and the nation;
- (f) propagating information useful to the growers, dealers and exporters (including packers) of virginia tobacco and manufacturers of virginia tobacco products and others concerned with virginia tobacco and products thereof;
- (g) purchasing virginia tobacco from growers when the same is considered necessary or expedient for protecting the interests of the growers and disposal of the same in India or abroad as and when considered appropriate;
- (h) promoting the grading of tobacco at the level of growers;
- (i) sponsoring, assisting, coordinating or encouraging scientific, technological and economic research for the promotion of tobacco industry;
- (j) such other matters as may be prescribed.

- (3) Without prejudice to the generality of the provisions of sub-section (1) and subject to priority being given to matters specified in sub-section (2) the measures referred to in sub-section (1) may also provide in relation to tobacco other than virginia tobacco, for all or any of the matters specified in clause (c) to (g) of sub-section (2) and for this purpose any reference in those clauses to virginia tobacco shall be construed as including a reference to tobacco other than virginia tobacco.
- (4) The Board shall perform its functions under this section in accordance with and subject to such rules as may be made by the Central Government and such rules may in particular make provisions for ensuring that the Board functions in close liaison with Union agencies, institutions and authorities concerned with the tobacco industry (including growing of tobacco) and avoids duplication of effort."

#### C. Composition of the Board

1.4 Sub-section (4) of the Tobacco Board Act, 1975 deals with the appointment of the Chairman and members of Tobacco Board, and the term of office is prescribed in Rule 4 of the Tobacco Board Rules made thereunder. The appointment of the members of the Tobacco Board and their term of office are as follows:

- (a) A Chairman to be appointed by the Central Government. His term of office is for 3 years.
- (b) three Members of Parliament of whom two shall be elected by the House of People and one by the Council of States. Their term of office is for three years.
- (c) eight members to be appointed by the Central Government to represent respectively;
- (i) the Ministry of Central Government dealing with Agriculture.
- (ii) the Ministry of Central Government dealing with Commerce.
- (iii) the Ministry of Central Government dealing with Finance.
- (iv) the Ministry of Central Government dealing with Industrial Development.
- (v) the Indian Council of Agricultural Research.

- (vi) the Government of Andhra Pradesh.
- (vii) the Government of Gujarat.
- (viii) the Government of Karnataka.

Their term of office is also for three years.

- (d) two members to be appointed by the Central Govt. by rotation in the alphabetical order to represent the Governments of tobacco growing States other than the States of Andhra Pradesh, Gujarat and Karnataka.

Their term of office is for two years.

- (e) not more than eight members to be appointed by the Central Government from amongst growers of tobacco, dealers and exporters (including packers) of tobacco and tobacco products, manufacturers of tobacco products and from amongst persons who in the opinion of the Central Government, are experts in tobacco marketing, or agricultural economics.

Their term of office is for three years.

1.5 The Board can also associate with itself any persons whose assistance or advice it may desire in complying with any of the provisions of the Tobacco Board Act. Such associated person can take part in the discussions of the Board, but has no right to vote.

*Manner of Selection:* The Central Government appoints all the members of the Board, excepting those that will be elected by the Parliament, after making necessary consultations.

1.6 The first Board was appointed by the Central Government on 1-1-1976, the Second Board on 1-1-1979 and the third and present Board was constituted on 1-3-1982.

1.7 The composition of the Tobacco Board, as reconstituted on 1-3-1982 has been indicated as follows:

S|Shri

1. M. C. Mahapatra,  
Chairman
2. Smt. Suseela Gopalan,  
M.P., elected by Lok Sabha.

3. P. Raja Gopal Naidu,  
M.P., elected by Lok Sabha.
  4. Shri Manubhai, M.P. elected by Rajya Sabha. He retired from Rajya Sabha on 9-4-1984. He was replaced by Shri V. C. Kesove Rao M.P. elected by Rajya Sabha).
  5. Director,  
Directorate of Tobacco Development,  
3-A, Eldams Road,  
Tenyampet, Madras.
  6. Deputy Secretary,  
EP (Agriculture) Division,  
Department of Commerce,  
New Delhi.
  7. Director, (Finance Division),  
Deptt. of Commerce,  
New Delhi.
  8. Director|Deputy Secretary  
Dealing with Cigarette Industry,  
Department of Industrial Development,  
New Delhi.
  9. Director,  
Central Tobacco Research Institute,  
Rajahmundry, Andhra Pradesh.
  10. Director of Agriculture,  
Government of Andhra Pradesh.
  11. Addl. Director of Agriculture  
(Cotton, Tobacco, Sugar)  
Office of the Directorate of Agriculture,  
Government of Gujarat,  
Ahmedabad.
  12. Director of Agriculture,  
Government of Karnataka.  
Bangalore.
  13. B. V. Sivaiah, Andhra Pradesh
  14. D. Veeraiah, Andhra Pradesh
  15. K. S. Kalamari Gowda, Karnataka
  16. Chekuri Babu Rao, Andhra Pradesh
- } Representing Growers.

- |  |  |
|--|--|
| 17. Kasani Narayana, Andhra Pradesh    | } Representing trade<br>& other interests. |
| 18. R. Sambasiva Rao, Andhra Pradesh   |  |
| 19. Azizulla Khan, Andhra Pradesh      |  |
| 20. P.S.H. Prasada Rao, Andhra Pradesh |  |

21. Deputy Director of Agriculture Marketing,  
Government of West Bengal, Calcutta.

22. Director of Agriculture,  
Government of Bihar, Patna.

#### *D. Representation of Growers on the Board*

1.8 Under Sub-Section 4(e) of Section 4 of the Tobacco Board Act, 1975, the Board shall, among others consist of:—

“not more than eight Members to be appointed by the Central Govt. from amongst the growers of tobacco dealers and exporters (including packers) of tobacco and tobacco products and from persons who, in the opinion of Central Govt., are experts in tobacco marketing or agricultural economics.”

1.9 It will be seen from the table given in paragraph 1.7 that the existing Membership of the Board includes, among others, four members “representing Growers” and another four “representing trade & other interests”, in terms of Sub-Section 4(e) of Section 4 of the Act.

1.10 In a Memorandum to the Committee the representative of a non-official organisation has suggested that out of 8 members appointed by the Central Govt. from amongst the growers, dealers, exporters, manufacturers and from amongst experts in tobacco marketing or agricultural economists, “at least 5 members must be appointed from amongst the registered growers and the rest of the three from other interests.” Justifying his suggestion, the representative testified before the Committee that:—

“there are 300-350 traders in tobacco market. They are getting 3-4 representatives. In Karnataka and Andhra Pradesh (alone) there are some 80,000 growers. In the present Board, the actual growers who cultivate tobacco are only three. My suggestion is that in the Act itself it should be provided that at least 5 Members should be growers.”

1.11 The Expert Group had also suggested in 1979 that representation of growers on the Tobacco Board should be raised to 8.

1.12 Asked during evidence to give his comments on the suggestion to increase the representation of growers on the Tobacco Board, the Secretary, Ministry of Commerce stated:—

“We generally agree with this approach that the Board should have more representatives from the non-officials, specially the growers. The expert group has suggested that this number should be increased to eight. But we have suggested to the Cabinet and it has been approved that this number of non-officials should be ten, and the growers would be six. . . . Cabinet has sanctioned it. Now it is before the Ministry of Law. . . . The Bill will have to be amended. It is Statutory (requirement). We will not be able to change it unless Parliament takes a decision.”

1.13 Asked by the Committee as to what were the criteria for selection of four representatives from amongst 80,000 growers, the Chairman of the Tobacco Board stated:—

“On the basis of their past experience and the good work they have done it is decided. . . . There are certain growers’ organisations which represent region-wise or variety-wise interests. Some consideration is also given to the views of (these) organisations.”

1.14 When the Committee expressed the view that the big farmer interests dominated these growers’ organisations and small farmers had virtually no representation therein, the representative of the Ministry of Commerce conceded:—

“In future we (will) try to work it out; we may perhaps lay down some basic principles about the different categories of growers who should be represented; but for present, there is a lacuna.”

1.15 On being asked by the Committee as to why instead of the Government nominating their representatives, a pattern of electing them from amongst the growers themselves should not be evolved, the representative of the Ministry further stated:—

“in that case it is quite possible that the interests, to which the other hon. Member referred, might not be served. I think the balance of advantage lies in having a person

who will serve different interests. You want that different constituencies be constituted; and from these, these people may be got elected. It will be examined. At present they are nominated by the Central Government, but the suggestion is that instead of *ad hoc* nominations, a democratic method can be adopted."

1.16 The Committee are glad to note that the Government have decided in principle to raise the representation of growers on the Tobacco Board from four to six and that the proposal is before the Ministry of Law, Justice and Company Affairs with a view to bring up legislation to amend the Tobacco Board Act 1975. The Committee hope that the necessary legislation will be brought before Parliament soon.

The Committee attach equal importance to the necessity of appointing only bona fide growers as their representatives on the Board and urge the Government to lay down criteria and procedures for their selection|election with a view to ensure not only that growers representation on the Board is not usurped by any extraneous interest but also adequate representation is given to small and medium farmers.

*E. Economist as regular Member of the Board*

1.17 As regards the point whether an agricultural economist has been appointed a regular member of the Board in terms of Sub-section 4(e) of Section 4 of the Act, the representative of the Ministry of Commerce stated:

"...for the present it is not so. For the present, the Agricultural Marketing Adviser is invited there as an observer, and according to our recommendations, which have been accepted by the Cabinet and have also been vetted by the Law Ministry, we are going to make him a permanent member of the Board."

1.18 Asked by the Committee as to why the proposed arrangement was not made from the very inception of the Tobacco Board, the representative of the Ministry stated:—

"At the time when the Board was created and the Act was passed, the concern of the Members of Parliament was mainly focussed on two things: (1) how to ensure that the marketing practice was regulated and good prices were

given to the farmers; (2) the export was coming down and how to push it up. At that time, they were so obsessed with these two considerations that they did not really give a proper status to the things for a scientific and technological development.”

**1.19 As maximisation of exports of Virginia and other exportable tobacco is the prime objective of the Tobacco Board, the Committee recommend the appointment on the Board of an expert in tobacco economics, with specialisation international trade in tobacco, in addition to the Agricultural Marketing Adviser.**

*F. Induction of a cigarette manufacturer on the Board*

1.20 Four Members of the Board are stated to be representing trade and other interests. A non-official has represented that “in the present Board there is no representation given to the Cigarette manufacturers who use 50 per cent of the (Tobacco) production.”

1.21 The Working Group in their Report (1984) on Comprehensive Tobacco Policy has recommended:—

“Although while laying down the production policy at the beginning of the season consultations do take place in the Tobacco Board, the Board has not functioned as an ideal or an adequate forum of consultations. We believe that the first corrective step would lie in establishing an effective consultation machinery which will facilitate taking a view on macro balance of supply and demand. For this purpose, we recommend that representation should always be provided for cigarette manufacturers on the Tobacco Board.”

1.22 Asked during evidence to give the break-up of the four members representing “trade and other interests” in the present Board, specifying the precise interest represented by each of them, the representative of the Ministry of Commerce stated:

“About the members who are there, I can mention that there are four members: Mr. Sambasiva Rao, he is representing the interests of trading and exporters; Shri Azizulla Khan, he is an exporter and promoter; Shri Prasada Rao representing the trading interests, and Shri Kasani Narayana representing the small dealers and growers. As for the main thrust, we entirely agree with you that a representative of the cigarette manufacturers should be there on

the Board, and since it is due to be reconstituted from 1st March, 1985 it is our recommendation and it is our wish that the representative of the Cigarette manufacturers will be on the next Board..... Decision has been taken."

1.23 The Committee are of the view that for keeping an effective liaison with the cigarette manufacturers, who consume a substantial portion of tobacco production in the country, it is necessary that a representative of cigarette manufacturers should be appointed as a regular member of the Tobacco Board. Such a step would also help in making the cigarette industry amendable to the broad policies of Tobacco Board,

## CHAPTER II ORGANISATION

### *A. General*

2.1 The Board consists of 3 statutory officers appointed by the Central Government viz. Chairman, Executive Director and Secretary. The Tobacco Board Act authorises the Board to appoint such other officers and employees as may be necessary for the efficient performance of its functions.

2.2 The Head Office of Tobacco Board located at Guntur (Andhra Pradesh) has 5 departments viz. (1) Administration headed by Secretary; (2) Finance and Accounts headed by Manager (Finance and Accounts); (3) Production headed by Manager (Production)—(Vacant); (4) Marketing and Market Research headed by Manager (Marketing and Market Research); (5) Publicity and Public Relations headed by Manager (Publicity and Public Relations). For export promotional activities, a post of Assistant Manager (Export, Promotion) has also been sanctioned. Besides, the Tobacco Board has under it 8 Branch Offices 4 Liaison Offices and 37 Field Offices.

2.3 The Government of India have in November, 1981 sanctioned a Directorate of Auctions in Karnataka. The Directorate is headed by a Director. The Directorate of Auctions in Karnataka has a Central Organisation with a Deputy Manager (Accounts), an Assistant Manager (Auctions), and a Statistical Officer.

### *B. Regional Committees*

2.4 Section 7(1) of the Tobacco Board Act provides that "the Board may appoint such Committees, as may be necessary for the efficient discharge of its duties and performance of its functions under this Act."

2.5 It has been suggested in a Memorandum submitted to the Committee by a private party that as the entire Tobacco Board can not visit all the Tobacco growing places in the country, the Board

should form Regional Committees consisting of members in direct contact with Tobacco growers and traders etc. and nominate only such members to the Board of Directors, for taking into consideration difficulties in Tobacco trade at regional level and chalking out improvement therein.

2.6 Expert Group in their Report on Tobacco (1979) had also recommended that "Regional Committees of the Tobacco Board may be constituted by the Board comprising a few members of Tobacco Board and knowledgeable persons from the region, who could focus the problems of tobacco grown in such regions...."

2.7 Asked during evidence whether as at present composed the Tobacco Board was in a position to fully assess the diverse problems of Tobacco industry in various regions and to state the relevant safeguards taken by the Board in that regard, the representative of the Ministry of Commerce stated:

"The basic concept of the regional committees again emanates from the major recommendations which were made by the Expert Group. They said that all types of tobacco growers should be brought under the Board. But the decision was that only Virginia tobacco should be under the Board. Since the area of interest was limited only to Virginia tobacco we could not think in terms of the regional committee as such. But if you talk about the work of the regional committees, you will find that there is some good work done by the regional committees tried in Andhra and some other regions. There is a sub-committee in Karnataka which is taking care of that particular region. This is now the two or three growers who are on the Board, represent these different States. So, I would say that since we did not accept the Regional Committee idea on the main recommendations of the Export Committee, we could not follow the consequent recommendation made by them."

2.8 In view of the variation in climate, nature of soil and cropping seasons affecting the needs and arrangements for supply of inputs to growers in different Virginia tobacco growing regions of the country, the Committee recommend the setting up of four Regional Committees of the Board—one each for Andhra Pradesh, Karnataka, and Gujarat and areas contiguous to these states and one for other Virginia tobacco growing State—with a view to project and supervise the arrangements for regulation of production and marketing of Vir-

ginia tobacco, coordination of research and extension, and supply of necessary inputs to the growers etc. with special reference to the peculiar problems of the respective State regions.

*C. Induction of Tobacco Scientists as Executive Director*

2.9 In a memorandum to the Committee, it has been stated that "the staff (of the Tobacco Board) are not fully and properly utilised for duties assigned to them because of the lack of an experienced tobacco scientist as an Executive Director. Everybody is a fresh recruit without any basic knowledge of tobacco." Elaborating his point before the Committee the person who had submitted the Memorandum had added that "If the Executive Director is a tobacco scientist, he can guide young people in field on extension work. Otherwise they have to depend on Central Tobacco Research Institute. Now they... (go to) the Institute for training in summer for 15 days which is not enough. If the Executive Director is an IAS Officer, he can only do administrative work..."

2.10 A representative of the tobacco growers has also pointed out in a memorandum to the Committee that at present there are three IAS Officers and no senior qualified technical officer worthy of name in the Board to organise production of this export oriented commodity and has suggested that "it is reasonable to have at least two specialists... (and) not more than one Senior IAS Officer."

2.11 Asked by the Committee during evidence to give Government's reaction on the above suggestion, the representative of the Ministry of Commerce stated:

"Here we want to submit two or three points. If you take the functions of the Executive Director as such you will find that the functions are administrative, managerial and that of a coordinator. We, therefore, feel that in this particular area an administrative officer would be much better than a technical man.

Then, Sir, the Board has never received a representation from the growers that they have found inadequacy of technical knowledge or performance from the Executive Director, what they are wanting is that there should be more inputs of technology to come from the institutes and

laboratories for which the extension activities and the activities of general technical man is required. Sir, we are not minimising the value of the technical man but as the Act envisages the Executive Director need not be a technical man."

2.12 On being pointed out by the Committee that while the work of Tobacco Board relating to marketing etc. could be attended to by a non-technical Executive Director, the work regarding implementation of production policy of virginia tobacco could be done well only by a technical hand, the representative of the Ministry of Commerce replied:

"I completely agree with you that there is a need for technical man, need for technical knowledge, technical programmes have to be taken up. But that is not the same thing as the managerial and administrative responsibilities which are located in a particular person, that is, Executive Director. One of the functions definitely is to work out such programmes. But that is where generally—may be the Secretary to the Government in the Ministry of Agriculture or anywhere—you find that they have got advisers.... This is correct that we definitely need a man who would take care of technical programmes and he would be able to assist in drafting and inviting other agencies to take interest in this particular work. What we have suggested is that there is definitely a need for a technical assistant or a technical officer and they must have also consultants..... One more thing you might consider. If you want to get a real technical man, it is not possible because your salary scale is never attractive for him. That is why generally in all our Ministries the advisers and consultants that we have engaged get higher scale of pay, perhaps may be more than the Secretary to the Government or the Director in that particular area. That, in our view, is a better approach to meet the necessity which you have expressed just now.... Today, they have got an Officer at the level of Manager (Production). But we are suggesting that the post may be upgraded so that there may be one man who should be able to engage in consultancy service and also do other work. If there is one man to look after both the works, he may not be good enough in all respects. I do not know why you should have an Executive Director having management,

naving budgeting knowledge and other things. On the other hand, you must have a technical wing. This technical man supported by the consultants and advisers should be able to launch and spearhead programmes in this area."

2.13 The Committee agree with the Commerce Secretary that there is need for a well-organised technical wing in the Tobacco Board, headed by a competent technical officer having adequate knowledge and experience to be able to provide extension services and technical advice to the farmers. He should have under him adequate number of technical officers. The status and scales of pay of the person heading the technical wing and of those under him should be such as to attract technically qualified and experienced men to the posts. The Committee trust that the Ministry|Board will give prompt attention to this matter.

#### *D. Directorate of Auctions and Auction Systems*

2.14 Section 13 of the Tobacco Board Act, 1975 provides that "No registered grower or curer shall sell or cause to be sold virginia tobacco elsewhere than at an auction platform registered with the Board in accordance with the rules made under this Act or established by the Board under this Act."

2.15 The Ministry have stated in this regard that, "..... the Board has taken up a scheme with the approval of the Central Government for introducing auction system in Karnataka with effect from 1984 marketing season (September—November 1984). The Scheme envisages setting up of 8 platforms at 5 Centres i.e. one at H.D. Kote, two at Hunsur, three at Periyapatna and one each in Ramanathpura and Shimoga. This is for the first time such a system is being introduced in India on Zimbabwe Pattern."

2.16 Asked by the Committee during evidence as to when the Directorate of Auction was actually established and what had been its activity since then, the representative of the Ministry of Commerce stated:

"The Directorate of Auction was established in April, 1983. We were waiting for the scheme to be approved and once the scheme was approved, the Director was appointed in September last, the man from Karnataka who has taken

over this particular job. As far as the activities in Karnataka are concerned, construction of infra-structure needed for platforms has been done, the field organisation was set up by him and the rules and regulations necessary for it have been worked out and we have also conducted test auctions before the work actually began. I would say that we are fairly satisfied with it and the response also from Karnataka has been very good. There are two areas specially in Andhra and Karnataka. In Andhra we have to start the work. A decision was taken that we have to start from a year where a new crop starts coming. The previous system was not quite suitable and we thought of this auction system. We wanted to concentrate on only one system and assess the improvement. Actually, there is a difference between the cropping season of Karnataka and that of Andhra. We are trying to start this auction system in Andhra also."

2.17 On the Committee inquiring as to why the Auction System was not introduced from the 1984 marketing season in the other major virginia tobacco growing State of Andhra Pradesh also, the witness added:

"We have done test auction. For launching the schemes we require the infra-structure and other facilities.... To conduct auctions in A.P., we require Government assistance to build up infra-structure.... Unless the infra-structure is ready, unless the Department of Finance clears the file, we will have to be careful in announcing the decision.... we will send our proposals to Finance about the number of officers required and the staff to be sanctioned. The moment we get the approval from the Government, we will start."

2.18 Citing the advantages of the introduction of Auction system for virginia tobacco in Karnataka from the 1984 marketing season, the representatives of the Ministry informed the Committee:

"Earlier the payment used to be delayed. Now within ten days the farmer collects the price of the tobacco.... The best tobacco which was fetching only Rs. 18/- per Kg. (before Auction System in Karnataka) is now fetching much more, about Rs. 22/-."

2.19 The Committee are glad to note that in order to secure for the farmers of VFC tobacco a better price for their produce, the Ministry|Board has introduced the auction system of sale of tobacco in Karnataka State w.e.f. 1984 marketing season. The Committee, however, regret to note that the system could not be introduced simultaneously in Andhra Pradesh, which is the largest producer of VFC tobacco, and other producer States. The Committee strongly urge that the Ministry|Board should so time the provision of pre-requisite facilities and arrangements as to be able to introduce the auction system of sale of tobacco in Andhra Pradesh and other States at least from 1985 marketing season.

*E. Strength of Field Staff: Work Study Units' recommendations*

2.20 According to the Ministry, the position of the sanctioned strength of the Tobacco Board from time to time is as indicated below:

As on 1-1-1976	..	17
1-1-1977	..	68
1-1-1978	..	117
1-1-1979	..	130
1-1-1980		132
1-1-1981	..	135
1-1-1982	..	137
1-1-1983	..	247
1-1-1984	..	260

2.21 Giving the reasons for steady increase in staff strength of the Board during the last 8 years, the Ministry have stated:

“1978: The Government of India sent Internal Work Study Unit (IWSU) team to assess the staff already sanctioned and extra staff required. Government had sanctioned extra staff of 49 posts on the recommendations of IWSU...

1983: The Internal Work Study Unit team once again visited the Tobacco Board and assessed the Workload after implementation of the Act to a greater extent. In the light of their recommendations an additional 110 posts were sanctioned.”

2.22 Asked during evidence to state the major recommendations of the IWSU's that visited the Tobacco Board in 1978 and 1983 and the number and particulars of additional posts recommended by the Unit as a result of its assessments in 1978, the representative of the Ministry of Commerce stated:

"As regards the major recommendation I quote for your kind consideration. One was that it should be able to open more branch offices. Secondly, they recommended merger of technical supervisor's posts and marketing supervisors. Then they suggested creation of an export promotion wing at the headquarters and they also suggested creation of a new cadre between Field Officer and Field Attendant as Junior field officer. They also suggested delegation of financial powers to branch officers and creation of an internal audit wing. Now if you look at the results you will be happy to find that three Branch Officers and twenty sub-offices in various tobacco growing areas were created, including Karnataka. This will enable us to increase the ratio of field officers to farmers. The extension wing also was strengthened. As a result of the additional posts sanctioned in 1982 the head office could be strengthened further in respect of Promotion Wing. A separate marketing cell and two branch offices were also set up."

2.23 On the Committee's comments that the posts did not appear to have been filled to the extent recommended by the Work Study Unit, the witness replied that all the staff sanctioned had been deployed. The witness however agreed with the Committee that the entire Virginia tobacco growing area could not be covered so far. When the Committee pointed out that the spread-over of the field-staff was not even, say between Karnataka and Andhra Pradesh, the representative of the Ministry stated that the reasons therefor were that Auction System had been introduced so far in Karnataka only and while the area in Karnataka was extensive, in A.P. it was 'concentrated'. When the Committee further pointed out that even in Karnataka the staff was not adequate, the witness replied that there were 28 officers in Andhra Pradesh and 12 in Karnataka and that the norm was one officer for 300 farmers and this compared well with any Extension Organisation.

2.24 In a written note on the number of Field Officers of Tobacco Board in position in Andhra Pradesh, Karnataka and Gujarat separately and the average acreage of Virginia tobacco land attended

to by a Field Officer in each of the three States, the Ministry have stated that in Andhra Pradesh there were 55 Field Officers/Jr. Field Officers attending to 150533 hectares; thus the average Hectarage attended to by a Field Officer/Jr. Field Officer was 2737. In Karnataka there were 7 Field Officers/Jr. Field Officers attending to 23,900 hectares thus the average hectarage attended to by a Field Officer/Jr. Field Officer was 3,414. In Gujarat a total of 43 hectares was under cultivation of VFC tobacco in 1984. In view of the negligible area under cultivation, Tobacco Board has not opened Field Office in Gujarat. However, a Field Officer was deputed to Gujarat for attending to Registration work etc., every year for a limited period.

2.25 The Committee note that the average hectarage that each field officer is required to attend is 2737 in Andhra Pradesh and 3414 in Karnataka. The representative of the Ministry has admitted that the entire virginia tobacco growing area could not be covered so far. The Committee would like the Board/Ministry to assess annually whether the number of field officers is adequate to effectively cover the area under virginia tobacco cultivation and to adjust the strength suitably in the light of such assessment.

#### F. Filling up of Vacancies

2.26 According to the Ministry, the Budget Estimates and actual expenditure of the Tobacco Board on Salaries and Allowances were as follows during the last 5 years:

Year	Budget Estimates	Revised Estimates	Actual Expenditure (Rs.)	Variation between Revised Estimates & Actual Expenditure (Rs.)
1979-80	12,63,000	12,63,000	13,62,673	(+) 99,673
1980-81	20,00,000	16,00,000	14,13,959	(-) 1,86,041
1981-82	24,00,000	18,00,000	15,25,473	(-) 2,74,527
1982-83	23,00,000	22,00,000	19,08,737	(-) 2,91,263
1983-84	30,00,000	30,00,000	26,19,176	(-) 3,50,824

2.27 In the context of the shortfall in the actual expenditure during the period, 1979-80 to 1983-84, the Committee asked the

witness during the evidence as to how many posts had been sanctioned but not filled up during this period. The witness replied:—

“... Most of the posts were filled up between July 1983 and December, 1983.... There were only two posts involved (not filled), one was the post of Manager (Production) and the other was the post of Assistant Manager (Export Promotion).”

2.28 On being asked by the Committee as to how the work of the Board was carried on without filling these crucial posts, the witness stated that the post of Assistant Manager (Export Promotion) has lately been filled up. According to him, after the post was sanctioned, the requisite qualification of the incumbent and recruitment procedure was worked out. Then the posts were advertised. All these things took some time.

2.29 When the Committee pointed out that the post of Production Manager was kept vacant for four years, the representative of the Ministry stated that the post was sanctioned in 1982 only. The post carrying the pay scale of Rs. 1100—1600 when advertised did not get response from the people of requisite qualification.

2.30 In a detailed written note indicating various posts which have remained vacant in the Tobacco Board during the period from 1979-80 to 1983-84, the period for which each post has remained vacant and the reasons therefor, the Ministry have informed the Committee *inter alia* that:—

“the post of Manager (Rs. 1100—1600) (Publicity and Public Relations) remained vacant from 19-8-1977 to 6-2-1983; that of Manager (Production) (Rs. 1100—1600) remained vacant from 3-9-1982 till date; and that of Director (Auctions) (Rs. 1800—2000) remained vacant from 12-11-1981 to 31-8-1983.”

2.31 The Committee are surprised to find that important senior level posts in the Board have remained un-filled for as long as 5 years. Whatever be the formalities for selection of a candidate, such delays in filling up the posts cannot be ignored. Unless officers at senior levels are in position to give proper and timely guidance, it is difficult to conceive that the Board could function as efficiently as it should during the period the posts had been kept vacant. The Committee would like the Ministry|Board to make serious efforts in future to fill up the vacancies expeditiously so that the activities of the Board are not hampered.

### G. Travelling Allowance

2.32 The Ministry have intimated that the allotment of funds and actual expenditure of Tobacco Board under the head Travelling Allowance were as follows:

Year	Budget Estimates	Revised Estimates	Actual Expenditure	Variation between Revised Estimates and Expenditure
	Rs.	Rs.	Rs.	Rs.
1979-80 .	1,50,000	1,35,000	1,49,628	(+) 14,628
1980-81	1,50,000	1,50,000	1,94,088	(+) 44,088
1981-82 .	1,50,000	2,00,000	2,20,704	(+) 20,704
1982-83 .	2,50,000	2,50,000	3,50,582	(+) 1,00,582
1983-84 . .	2,75,000	4,00,000	6,05,746	(+) 2,05,746

2.33 According to the Ministry, the expenditure has exceeded the estimates "...mainly due to intensive tours undertaken by the officials from time to time and frequent meetings of the Board and its Committees."

2.34 Explaining during evidence the expenditure incurred by the Board in excess of the Budget estimates over the years, the representative of the Ministry of Commerce stated that when the State Trading Corporation came in (for Market Intervention) more work had to be done. When the Committee observed that funds for Travelling Allowance should have been asked for by the Board on the basis of expenditure incurred during the preceding few years, the Commerce Secretary admitted that "the procedure needs to be improved in the light of this experience."

2.35 The Committee hope that estimates of expenditure would be computed by the Board in future more realistically at least at the stage of framing revised estimates, taking into consideration actual expenditure during the preceding 3 years, the cash flow trend observed during the current year and the projected activities of the Board or the concerned officers during the remaining part of the year.

### H. *Overlap of Functions with Directorate of Tobacco Development*

2.36 In a memorandum to the Committee it has been suggested that "the Tobacco Development Directorate which has similar overlapping functions should be merged with the Tobacco Board so that the additional staff proposed by the Tobacco Board can be reduced to that extent in 7th Plan."

2.37 During evidence when the Committee asked the representative of the Ministry as to what were the objectives and functions of the Directorate of Tobacco Development and how far they agreed that the same were overlapping with those of the Tobacco Board and that the two Organisations should be merged, the representative of the Ministry of Commerce stated:—

"The Directorate of Tobacco Development was established in 1966 at Madras and is under the Ministry of Agriculture. Its chief function is to provide financial assistance for tobacco production of all types. The main non-Plan Scheme relates to production of seed and seedlings and training programme. The chief plan scheme is for production and development of new exportable varieties of tobacco such as cigar tobacco etc. There was no Sixth Plan Scheme. Schemes for Seventh Plan are under formulation and preparation. The Tobacco Development Directorate organises supplies of inputs like potassium sulphate etc. to all agencies concerned. It also oversees the State programmes of tobacco development. There is no extension wing and the Directorate operates only through State Agricultural Directorates. There is no marketing function and there is no research function. So, it will be observed that the scope of the Directorate for Tobacco Development is very wide. On the other hand it is chiefly concerned only with a few items, the main one of which is the provision of seed and seedlings and conducting training programmes, overseeing extension in the development of all types and varieties of tobacco. Tobacco Board is a very specialised agency in the sense that it handles only one type of tobacco. Therefore, the need of some Directorate which would look after the overall development of tobacco industries of all types continues to be there. As a matter of fact this particular recommendation was made by the 1979 Working Group. It is again made in the context of making the Tobacco Board responsible

for all types of tobacco. Once that recommendation was not accepted, the question of merger of the Directorate of Tobacco Development and Tobacco Board does not arise because it has residuary functions with respect to other types of tobacco. Secondly you will kindly see that the staff strength is only about 45 in the Directorate. There is one Director, one Deputy Director (Development) and one Deputy Director (Marketing) and there are some statisticians. There is only one field office with a staff of 35 persons. So, in essence, it is a kind of catalyst and it is a small organisation, while it is a very intensive and action-oriented executive type of organisation and in these circumstances, the question of merger of these two organisations does not arise."

2.38 When the Committee observed that the functions relating to Virginia tobacco being performed by the Directorate of Tobacco Development should be transferred to the Tobacco Board to avoid overlapping of such functions, the Commerce Secretary stated:—

"Basically we agree with you. As you have described, the Tobacco Board is confined only to the virginia tobacco and the other Directorate is for all tobaccos spread all over the country. We have got to see in respect of virginia tobacco what is the function which is being performed by the Directorate which may be overlapping. In actual work, in fact it is *de facto* rather than *de jure*. [They are confining themselves only to the extent of evaluation of crops and these data when received help us in determining the minimum prices. If there is a duplication of work, it is only in the extension wing which is at the State level rather than at the Directorate level. But Sir, taking your advice, what we have got to do is again to sit down and see if there are any items of work which the Directorate is doing with reference to virginia tobacco and then take it over thus confining ourselves only to virginia tobacco."

2.39 Another representative of the Ministry then added:—

"Here I want to clarify a small point Sir. I told you that there is one Deputy Director (Marketing) in the Directorate. But actually he is the Deputy Director of Inputs because one of the main functions is to supply inputs like potassium sulphate. Their other function is to collect statistics from tobacco growing states in regard to area under

cultivation, yield, etc. Then it is reported to the Economic Adviser in the Ministry of Agriculture. These are their main functions in addition to development of seed and seedlings.”

**2.40 The Committee recommend that with a view to remove overlapping and duplication in the functions of the Tobacco Board, which is under the Ministry of Commerce and the Directorate of Tobacco Development under the Ministry of Agriculture, the two Ministries should go into the functions of both the Organisations and affect transfer of functions from one Organisation to the other as may be necessary. In th's context the Committee would emphasise that the entire responsibility in regard to virginia tobacco should legitimately remain with the Tobacco Board.**

## CHAPTER III

### DEMAND AND PRODUCTION

#### A. Assessment of Demand

3.1 Under Section 8(2) of the Tobacco Board Act, one of the functions of the Board is "keeping a constant watch on the virginia tobacco market, both in India and abroad and ensuring that the growers get a fair and remunerative price for the same and that there are no wide fluctuations in the prices of the commodity."

3.2 However, according to a Tobacco expert, the Tobacco Board has not succeeded so far in keeping a constant watch on the Virginia tobacco market in India and abroad "as they have no mechanism developed till now to assess the market demand of fluecured tobacco in advance." The same expert has suggested that the Board should therefore ascertain the domestic demand for the next year from all the cigarette manufacturing companies of India individually and exactly as this information is easy to obtain..." and "with regard to export demand, bilateral agreements should be signed between our country and USSR|UK|Japan|Bulgaria|Egypt etc, one year in advance to have an estimate of the export demand every year."

3.3 In another Memorandum to the Committee, a company Executive has suggested:—

"As per the Tobacco Board Act, it (the Board) has the authority to regulate Flue Cured Virginia tobacco production. Approximately 50 per cent of the tobacco is exported and the balance is utilised in the domestic market. It would appear that the demand for exports, as well as domestic demand is not assessed on a scientific basis, resulting in surplus production rather than shortages.

It is recommended that a cell be created, which should meet well in time to assess the export demand from past trends and the domestic demand thereby regulating the production. For example, importers prefer Light Soil Tobaccos to Traditional tobaccos and hence the regulation policy should be tailored to encourage production in the Light Soils rather than apply a uniform policy irrespective of

the customer preferences. This will enable the supply| demand to keep in balance resulting in healthy marketing.”

3.4 The Working Group in their Report on Comprehensive Tobacco Policy (1984) has also pointed out that “The Board does not have sufficient market intelligence either of the domestic market or of the export market... A concerted effort will be necessary to improve the market intelligence, particularly on export front. For this purpose we recommend that the Tobacco Board should arrange the services of a qualified consultant who will devise the systems and procedures and recommend appropriate organisational set up.”

3.5 Asked during evidence as to how the domestic and export demand was being assessed by Tobacco Board at present and whether any experts|consultants had been employed by the Board for the purpose as recommended by the Working Group, the representative of the Ministry of Commerce replied:—

“Government have accepted the second recommendation of having an expert or a consultant. But our reason for accepting the recommendations are slightly different than the views of the two experts quoted here. The real problem of demand and its forecasting is (i) for short-term and (ii) for a long-term. Where as we are weak is in long-term forecasting and we are not weak as far as short-term forecasting is concerned. I will mention the various elements involved in this. The forecasting of unmanufactured tobacco is a bit difficult because unmanufactured tobacco is consumed at various levels. In the case of manufactured tobacco, that is, for manufacturing cigarettes the manufacturer keeps it for two years and moreover he buys it in a particular year when its price is low. He has the freedom to buy less quantity or more. If they are making 83 billion cigarettes in India, it does not mean that they would be necessarily purchasing for that much quantity in a season. They are free to buy something more when the prices are low and something less when the prices are high.

The second problem is that in the case of tobacco, a large portion of it is a dry crop, is a rain-fed crop. There is a short variation in cropping. Sometimes, there is a bumper crop. Whenever there is excess in production, they will not just buy all the quantity. Similarly, production of

tobacco also fluctuates and when such fluctuation takes place the international demand is bound to vary. Only tactical measures can be taken to support this. Now, there are three types of marketing this commodity.

About 65 to 70 million Kgs. are sold to various countries. We sell about 30 million Kgs. to USSR after due testing or negotiation is made. Then, we sell about 20 million Kgs. to EEC market. Then there are small markets like the East European countries who take about 5 million Kgs. Japan takes about 2 million Kgs. Now, Egypt may come this year with a demand of 5 million Kgs. So, we have three types of marketing. One is that the marketing is done through bilateral agreement as in practice in the case of USSR. The second type is that the purchases are made by the State monopolies, like Japan where you can negotiate with them and you can also have long-term agreement, etc. Some of the countries in the Middle East have also got some organisation for buying this commodity. Egypt buys tobacco, tea, etc. through State monopolies. The third type of marketing is done by countries like Britain where our tobacco is bought taking into account the prices of tobacco of other competing countries.

As far as estimating the broad levels of demand of domestic industry in India, which is a residuary buyer, is concerned, if the demand of the foreign buyers is high, then they will buy less and *vice-versa*.

The Tobacco Board uses three or four devices. It keeps track of the production situation around the world through newsletters, documents, magazines etc. Very important role is played by the information with the importers and exporters and the Board members keep in touch with them. Then, we try to negotiate where there is a monopoly or Government buying, not only in regard to the annual purchase, but on long term basis also. In this area, we are not very weak. This is the way, the forecasts are made in the tea and coffee areas."

3.6 Asked by the Committee as to how the Board assessed the local demand, the cigarette industry being a residuary buyer, the representative of the Ministry of Commerce stated:—

"The cigarette industry is not under us. But we have meetings with them, we have a dialogue with them (about)

how much they would buy in a particular year. It is a very heavily excised item. If the price of certain cigarettes goes up, then the demand falls very sharply. Budget is a great indicator of the demand for the next year. It is a complex judgement after looking at the installed capacity, last year's production, State of taxes, state of growth rate and things like that. It is after all a matter of judgement."

**3.7 The Committee are not aware whether, in response to the recommendation of the Working Group on Comprehensive Tobacco Policy (1984) accepted by Government, an expert or consultant has been appointed. They would however emphasise the importance of collecting sufficient and accurate market intelligence—both foreign and domestic—and of orientation of virginia tobacco production policy in the light thereof so as to avoid a situation of glut in supplies quite out of proportion to the overall demand affecting domestic and export prices.**

*B. Pattern of internal consumption and position of Cigarette industry*

**3.8 The Ministry have stated in the Preliminary Material that:**

"The production of cigarettes has increased considerably over the past 10 years (63,751 million pieces in 1973 to 86,838 in 1981). Even though the precise data is not available, it is understood that there is considerable shift from use of lamina to stems, scrap etc. as also a shift in favour of burly varieties in the cigarette manufacture. Since the manufacturers are out of the purview of the Tobacco Board Act, there is no role that Tobacco Board could play either in regulating consumption of tobacco or in diverting consumption to other desirable ends."

**3.9 The representative of a growers' organisation has stated that "there is a clear change in the pattern of consumption by our domestic cigarette industry and that they are now using more of low grade tobacco etc." According to him the "indigenous consumption of Virginia tobacco produced in the country would be about 15 per cent of the total value of production." He has therefore suggested that this "new pattern of consumption by our domestic cigarette manufacturers needs correction, so as to correct the weight and value ratios to be the same." He has further suggested:**

"Cigarette industry has not been brought under the purview of the Act, with the result, the Tobacco Board is unaware

of the quality and quantity and requirements of its domestic industry, which keeps the data as trade secret."

3.10 Asked during evidence to give the Government's reaction to the above suggestion, the representative of the Ministry of Commerce stated:

"Cigarette industry is not under the control of Tobacco Board. In the amendment we have provided for registration of cigarette manufacturing units by the Tobacco Board. This will mean control on the industrial activity.

On the one hand the farmers want higher prices and they want to produce more tobacco. On the other hand the cigarette industry in India is under severe pressure to maintain the demand for VFC Tobacco.

According to the Cigarette industry the Chief reason is the very high rate of taxation—excise has been introduced during 70s. To-day the excise collections are almost Rs. 900 crores and this is the second biggest excise earner. The consumer is always price resistant. The demand falls with the increase in price. The answer of the industry was to reduce the volume of the cigarette and packing expenses and finally to reduce the quality of the cigarette. The total use by the Cigarette Industry of the higher grade tobacco has sharply fallen and greater proportion is that of scraps. Purchase of VFC has shifted to the lower rate. The reason is chiefly the incidence of excise. The excise is *ad valorem* and it has higher rates for higher value. Therefore, there is premium in producing a lower value cigarette because the duty rates on lower value is lower. Though in 1984 full examination of the subject was not possible, still some broad recommendations were made:

Higher progressivity of the excise should be considered.

Cigarette industry should be brought under the Tobacco Board, to control Tobacco Industry on the one hand and to modify the high excise payable by Cigarette Industry on the other.

If you want Tobacco Board to be effective, it should have some say in the Cigarette Industry and some say in the excise policy.

Tobacco growers say that tobacco is purchased by auction. It is given minimum support price. Therefore, there is problem to sell tobacco if it is of low grade and for export if it is of high grade. It would be quite good if excise rebate on the use of tobacco or purchase is given, through the Tobacco Board.

When there was States intervention, S.T.C. purchased 14000 tonnes of tobacco and it stayed with them for more than one year. We gave rebate to dispose it of. We can be effective in the market if we have some 5 per cent or 6 per cent rebate in excise for use of tobacco.

In 1984 we made a proposal that the cigarette industry should be brought under Tobacco Board in the same fashion as the textile industry is with the Department of Textiles. That is the idea—that licensing power should continue with the Ministry of Industry but day-to-day control and management should be the function of the Tobacco Board.

Every year the Cigarette Industry has been submitting memorandum about the impact of the excise duty on the quality of cigarette. Excise duty should go down or the progressivity should be reduced. Because smoking is a health hazard and perhaps the revenue loss may be considerable, every year the excise duty has been increased. Progressivity has been increased. No progress has been made in taking steps to use high grade tobacco in the Indian Cigarettes.

There is a conflict of views on the encouragement of Indian cigarettes for strengthening tobacco market. In our view the Indian cigarette industry should compete for high grades of tobacco so that tobacco growers get better price and we are not at the mercy of foreign buyers. If you produce good quality of cigarettes, you may be able to export more cigarettes. The other view is it plays the role of buffer by utilising lower quality which otherwise would get lower price than scraps.

Today in Cigarette Industry 40 per cent of the volume is sold at 15 per cent of the price. If the cigarette industry does not buy tobacco, there will be alternative market 'beer industry'. Unless we have cigarette industry with us or we have a say in the excise policy, the pattern of consumption in the cigarette industry of tobacco cannot be tackled."

3.11 Asked by the Committee what action had been initiated by the Ministry to bring the cigarette industry under the purview of the Tobacco Board Act, the witness added:

“Our Minister has taken up this issue with the Industries Minister and presently the position is that the proposals are not acceptable to them.”

3.12 When asked whether the Government was not in a position to impose restrictions on the use of stem and scrap by the Cigarette manufacturers, the representative of the Ministry replied:—

“The restrictions on the use of tobacco in the cigarette industry are on scientific basis keeping in view the tar and nicotine content. But to say that they should not use stems may be a difficult proposition because stems have been legitimately used. So also scrap has been used. A torn material is called scrap. Theoretically, it is similar to the leaf. I do not think it will be feasible to put such restrictions. But the real answer is to give incentives. The real thing is that we should evolve a certain policy and decide as to what should be the growth of the tobacco industry in the Seventh Plan and what should be the consumption of various grades of tobacco and then all the other instruments of excise duties, etc. should be so fitted that this objective is achieved.”

3.13 When the Committee suggested that the question of incentives by reducing excise duties could be pressed with the Finance Ministry the witness added:

“As a matter of fact, we did in 1984 make a proposal to the Ministry of Finance that for all tobacco purchased by the Tobacco Board, and sold to the cigarette manufacturers, there should be a rebate allowed on excise to regulate the prices. But the proposal was rejected. I agree that we should argue about it in a better way and continue to take it up with the Finance Ministry. What is required is acceptance of a policy at the national level. Today, there is nobody prepared to think in terms of development of tobacco industry. They want to reduce the consumption of cigarettes.”

3.14 The Committee recommend that to effectively regulate the internal consumption of virginia tobacco by cigarette industry, the cigarette industry should be brought under the purview of the Tobacco Board Act 1975 and the Act amended suitably for the purpose.

### C. Regulation of Production

3.15 Section 10 (1) and 11 of the Tobacco Board Act, 1975 provides for registration of virginia tobacco growers and curers. The registration is intended for the purpose of regulation of production of virginia tobacco as also to monitor supply of inputs and provision of technical services etc. The Ministry have stated that there has been no conscious policy to fix targets of area and production of virginia fluecured tobacco as the individual grower has been taking up cultivation mainly on the basis of the market trends and prevailing seasonal conditions. By and large, the area applied for registration was accorded registration but the Board has been advising the growers informally about the growing more or less of tobacco in a given year on the basis of anticipated international market trends and the experience in the previous marketing season. Hence, while no formal targets were fixed for production of VFC tobacco the actual cultivation has generally been less than the registered area. The area registered and actually cultivated during the last 5 years is given below:—

Year	Registered Area ('000 ha)	Achievement	
		Area Planted ('000 ha)	Production (M.Kgs.)
1978-79	167.13	165.1	142.8
1979-80	230.19	140.5	100.9
1980-81	160.38	142.4	117.0
1981-82	233.97	150.9	135.5
1982-83	249.68	168.6 (P)	175.8 (P)*

3.16 Experience has shown that the area actually cultivated fell short of the area registered because of the developments that take place in between registration and the actual cultivation in terms of emerging market trends, curing facilities available, development work carried out by the companies and the prevailing seasonal conditions, etc., Registration was liberally granted upto 1979-80 as there was no need for strict regulation of area in view of comfortable marketing condition that prevailed. However, in view of marketing crisis in 1979, the area was regulated in 1980-81 which had a good impact in the marketing of tobacco. In subsequent two years, the

£ P- Provisional.

area was not strictly regulated because of better anticipated demand. However, there was a market crisis in 1982-83 on account of fluctuations in international demand. Hence, in 1983-84, a programme for enumeration of the barns has been taken up and registration has been accorded with reference to barn capacity available for a grower considering that all VFC tobacco produced has to be cured. The regulation of production in 1983-84 with reference to barns, has given good results and the area has been contained around one lakh hectares in Anhdra Pradesh. The regulation of production in Karnataka has also been taken up in the current year on the basis of barn capacity in order to ensure remunerative price to the grower.

3.17 However, a tobacco specialist has informed the Committee differently:—

“Tobacco Board is registering the farmers and the area to be planted in advance of the planting season, estimating the demand for the next year. But the Board is not effectively supervising the implementation of it to find out and act promptly when there is an excess area planted surreptitiously without registration.”

3.18 Asked during evidence to reconcile the two views and elucidate the mechanism devised to restrict virgina tobacco cultivation to registered areas only, the representative of the Ministry stated:—

“We stand by the objective of regulation of production. As stated in our original memorandum, we have been able to effectively regulate the area for two years, viz. 1978-79 and 1983-84. In 1978-79, the registered area was 167 thousand hectares and the planted area was 165 thousand hectares. In 1983-84 the registered area was 133 thousand hectares and most probably, the planted area was almost the same. But in other years, this was not the case. The actual areas sown were much less than the registered areas....We envisage regulation of production as something which would be achieved by a number of measures and not by strict enforcement of the law. It is true that we have the authority to prosecute a person who violates the law. After the 1978-79 experience we find that it is a very difficult method and it creates more problems than solves. So, the method of balancing the production and demand and supply is done through a number of measures. In Karnataka, for instance this year

we could regulate production because we are having auctions. Every person who came to sell had a registered area, which gave an indication of how much he could have produced and that is the amount which we sell in the auction. The second method is supply of inputs. Tobacco Board gives vouchers for supply of coal. It is a well-established system and it gives the input only for the area registered. The next measure is through barns. Barn is a Kutcha structure in which green tobacco leaves are treated. One barn approximately covers the produce of about two and a half hectares. Everybody has got to have registration of barns also. So instead of trying to enforce the production regulation only through the means of registration, we are trying to do this through a number of measures. We hope to have much more success in the regulation of production with this approach."

3.19 When the Committee observed that there appeared to be no effective procedure to regulate production and agriculturists were left to fend for themselves, the witness added:—

"The philosophy behind the estimation for the year is, we take the optimum production and optimum export figures. The Ministry takes the export target as 100 million kg. So we allow a sufficiency of tobacco to meet our estimated domestic and export demands. There is always a possibility in any agricultural commodity of over-production and under-production, but then Sir, the export targets are generally not met. My experience for at least past seven years is like this. Promises are made by countries, which are never kept. As a matter of fact, we are rather low in their priorities. If they cannot get from other countries, then only they finally take it from us. For instance, last year we estimated that we will do export about 90 to 95 million kg and we put a target of about 100 million kg. But we ended up only with 70 or 80 million kg. The producer prefers higher price for smaller quantity of tobacco than a lower price for a larger quantity of tobacco. This is the essence of the matter in these cash crops."

3.20 The Committee are informed that though the Board has authority to prosecute a person who grows virginia tobacco in viola-

tion of the law, the Board has made the growing of virginia tobacco by unregistered farmers unattractive by denying to such cultivators the benefit of supply of coal and other inputs at controlled rates which is available to the registered cultivators only. The other method adopted by the Board is registration of barns and the facility of sale of virginia tobacco by auction being confined to owners of registered barns. The Committee hope that this policy is really discouraging cultivators from planting virginia tobacco surreptitiously without registration. They would however like the Board to also make a random survey from time to time to see whether the policy adopted by them is giving positive results or some other measures including prosecution of law-breakers are called for.

#### D. Regulation and Development of Tobacco

3.21 According to the Ministry the following amounts were earmarked in the Budget of Tobacco Board and actually spent during the last five financial years on "Regulation and Development of tobacco":—

Year	Budget Estimates	Revised Estimates	Actual Expenditure	Variation between Rev. Estimates and Expenditure
1979-80	75,000	75,000	78,289	(+) 3,289
1980-81	1,00,000	1,20,000	1,35,325	(+) 15,325
1981-82	1,25,000	2,00,000	36,191	(-) 1,63,809
1982-83	2,00,000	2,00,000	81,593	(-) 1,18,417
1983-84	2,00,000	1,50,000	1,37,560	(-) 12,440

3.22 With regard to the reason for variations between the Revised Estimates and actual expenditure during the period 1981-82 to 1983-84, the Ministry have stated that "In some years there have been savings on account of lack of timely response at the field level."

3.23 Asked during the evidence to elaborate with special reference to heavy variation during the years 1981-82 and 1982-83 and to elucidate the specific functions of Board covered under this head, the representative of the Ministry of Commerce replied:—

"First, I will give the major items which are covered under this item of Regulation and Development. They are (1) Registration of growers (2) Expenditure on printing of

passbooks, etc. (3) Implementation of technical programmes (4) Organising refresher courses (5) Enumeration of barns (6) Printing of pamphlets and press advertisement on production policy (7) Analysing soil survey. These are the important things.

As for the failure to make use of this particular budget, I think most of the arguments would be the same as we had mentioned in the beginning. The various technical programmes were not taken up with emphasis with which they should have been taken up."

3.24 When the Committee observed that the Board should fix responsibility for failure to spend the funds allotted for such crucial "technical programmes", the witness replied that if items of work done were taken into consideration as a whole, it cannot be termed as a failure. He added:—

"In a very objective manner, if you permit me, I would submit that tobacco work is going through different stages of growth and development and I for one feel that all the stages (of first generation of work) have come to an end and we have now entered into the second generation of work in which I feel these particular programmes, technical programmes, refresher courses and others, will assume importance. So far, the things which were taken on priority were the registration of growers, printing of passbooks and registration, enumeration of barns. These were the things which had taken precedence and my own feeling is that given this proper support and the advice which we have received from you, perhaps in the next generation we would be able to fulfil these other obligations."

3.25 The representative of the Ministry promised the Committee that in future proper arrangements would be made to avoid the lapsing of funds allotted for the work of Tobacco Board.

3.26 The Committee are perturbed to find that funds earmarked during 1981-82 and 1982-83 for "regulation and development of tobacco" have remained substantially unutilised. Not satisfied with the reasons adduced for non-implementation of technical programmes during these years, the Committee would like the Ministry to accord priority to these programmes which the Committee believe have a direct bearing on development and modernisation of Virginia tobacco production, by not only providing adequate funds for the purpose but also availing of these funds according to a well laid out plan.

#### E. Supply of Inputs

3.27 On monitoring of supply of inputs to growers for Virginia tobacco, the Ministry have stated:—

"The major inputs required for VFC tobacco are seed, chemical fertilisers, coal/wood fuel pesticides, etc. The basic responsibility of supply of some of the inputs primarily rests with the State Governments where VFC tobacco is grown. However, Tobacco Board has been playing the role of co-ordinator for ensuring timely supply of the required inputs to the farmers by maintaining effective liaison with the State and Central agencies. The requirements of the growers are assessed well in advance of the season and communicated to the concerned State and Central agencies for supply of inputs as per a time schedule."

3.28 A tobacco specialist has, however, given a different picture to the Committee. According to him:—

"Supply of coal for curing tobacco is not done in time by the Board. A solid example is CTRI station, Guntur which applied for coal permit on 24th July, 1983 and it is not supplied till today (15-6-84) and the curing season ended by March, 1984. From this it can be imagined what the fate of the farmer is. The Board draws up the plans on paper only, but does not implement them properly and efficiently."

3.29 During the evidence Committee asked the representatives of the Ministry to identify the inputs the responsibility for the supply whereof to growers rested with the State Governments, Tobacco

Board and other Central agencies, and whether the existing arrangements for the purpose were adequate. The witness stated:

“(1) The State Government is the agency which is responsible for the supply of coal, fire wood, fertilisers and pesticide. The Tobacco Board is responsible for distributing the seeds which in turn they procure from the CTRI. They are also responsible for producing the seeds, and the requisite amount of seedling. The Directorate of Tobacco Development is incharge of supplying potassium sulphate. (2) The existing distribution responsibility we have found to be effective though there is a greater responsibility for effecting coordination. In the case of coal, the Tobacco Board has been able to take the initiative. So, the supply of coal is much more streamlined and it is issued by the State Government on the basis of a certificate of entitlement to be given by the Tobacco Board. So, coordination in this field would be improved. Now the seeds are given to the nursery men. Right now there is no system of checking. With the amendment of the Tobacco Board Act, nursery men will come under discipline and control of the Tobacco Board.”

3.30 Asked by the Committee during evidence as to why the distribution of seeds was not being undertaken by an agency of the Ministry instead of through nurserymen on whom the Board had no control, the witness stated that with the proposed amendment in the Tobacco Board Act, nurserymen would be brought under its purview.

Asked by the Committee to indicate the position with regard to supply of potassium sulphate and fertilisers to tobacco growers, the representative of the Ministry conceded during evidence that there was scope for improvement in supply of these inputs. Supply of Potassium sulphate was being arranged by the Directorate of Tobacco Development, Madras. The representative of the Ministry also agreed that as imported fertiliser was scarce, arrangements for its adequate supply to the tobacco farmers deserved close attention of the Board.

3.31 In a subsequent note on supply of coal, the Ministry have stated that the responsibility for making available coal/fuelwood for curing of tobacco vests in State Governments. Supply of coal is usually made by Singareni Collieries & Co. Ltd. The supply of coal is made on authorisation issued by Tobacco Board. Board ha

made necessary arrangements in consultation and coordination with Government of Andhra Pradesh for decentralisation of supply of coal at district level through State run corporations. This process proved very useful in the year 1983-84 in making it easier for the farmers to receive the coal supply. According to the Ministry the specific instance quoted by C.T.R.I. has arisen because of their refusal to lift the allotment of coal from the local depot of State Government as was done by all others. Their insistence on taking it directly from the Collieries was not in conformity with the procedure prescribed by State Government. However, if they had any real difficulty in this regard, they could have contacted Tobacco Board for specific intervention. The Ministry have added that since Board is associated only with issuing a certificate, if any, indicating eligibility for coal, it is difficult for the Board to curb malpractices, by the farmers. It is for this precise reason that Tobacco Board persuaded Government of Andhra Pradesh to distribute coal through State Corporations to avoid malpractices. As a result of efforts made by Tobacco Board in close co-ordination with State Agencies, the distribution of coal/wood to the registered tobacco growers has been streamlined and timely supply ensured. According to the Ministry it is not feasible for Tobacco Board to purchase and sell coal to Tobacco farmers since it involves lot of organisational effort in moving coal from the pit head to the farmers and also calls for investment of a large sum of money. Besides the present system followed by State Government is stated to be working satisfactorily.

3.32 In another note on production and distribution of quality seeds the Ministry have stated:—

“Tobacco Board has not started production of quality seeds. At present seeds are produced by C.T.R.I. and Research Division of ITC. Apart from these two organisations, some progressive growers also produce their requirement of seed. The proposal of production of seed by Tobacco Board has been made in the context of establishing demonstration farms for training the Tobacco Board staff in all aspects of tobacco cultivation, including production of seed and raising nurseries under model conditions. This is proposed to be taken up as a plan scheme.

However, presently the Tobacco Board is distributing the seed produced by C.T.R.I. and the Research Wing of ILTD for the benefit of the growers on “no profit no loss basis”. This has been done regularly in Andhra Pradesh

and was also taken up in Karnataka last year. 5,300 kgs. of seed was distributed in Andhra Pradesh in 1983-84 and 1,100 kgs. in Karnataka.

The requirement of Tobacco seed is calculated on the basis of one kilogram of seed for 60 acres of plantation and thereby the total requirement of Andhra Pradesh and Karnataka works out around 6,000 kgs. The Tobacco Board is supplying the entire quantity to the growers. However, some progressive growers have also been raising seeds to a very limited extent.

Government have decided to accept the recommendations of the Working Group regarding registration of nurseries by Tobacco Board under Tobacco Board Act and necessary action for amending the Tobacco Board Act in this regard has been taken on hand."

3.33 The Working Group, in their Report on Comprehensive Tobacco Policy (1984), have recommended that:—

"Considering the crucial importance of the nurseries for seedlings, it is recommended that the Tobacco Board Act may be amended suitably to provide for registration of nurserymen. The rules should also be amplified suitably to ensure that approved varieties of seeds are used in the nurseries and seedlings are not raised beyond a specified ceiling and date."

3.34 In a note with regard to financial assistance to tobacco growers (in Andhra Pradesh and Karnataka) for purchase of inputs like coal, wood, fertilisers and constructions of barns etc. the Ministry have stated that Tobacco Board, on one instance, during 1979 distributed loans to the tune of Rs. 2 crores for constructions and repair of damaged barns in Cyclone. When the Board introduced the Auction system of sale of tobacco in Karnataka during this crop season, all the private traders who were looking after some developmental activities had withdrawn from the picture and Tobacco Board had to shoulder the burden. A meeting of the bankers in Karnataka was convened to persuade them to extend loans to tobacco farmers. The following banks had agreed to offer loans

to the VFC farmers in Karnataka during 1984 crop season.

<i>Bank</i>	<i>Loan</i>
Indian Overseas Bank	75.00 lakhs @ 1500/- acre
Kaveri Gramina Bank	25.00 lakhs
Vijaya Bank	Agreed to extend loans through
Corporation Bank	their Branches

3.35 It is essential that the virginia tobacco cultivators get inputs like coal, firewood, seeds, potassium sulphate, fertiliser and pesticides of good quality, in sufficient quantities and on time. It should be the endeavour of Tobacco Board to ensure the availability of these inputs to the cultivators. Since different agencies are responsible for the supply of these inputs to the cultivators, it is for the Tobacco Board to effectively coordinate with the various agencies and, if possible, arrange for a single window delivery of all the inputs. It is also necessary to ensure that the benefit of supply of quality inputs at controlled rates is not misutilised. The Board should therefore devise the system of issuing permits to the registered farmers in respect of each input against which the agencies concerned might release supplies on priority and preferential basis, as has been done for supply of coal to the cultivators.

The Committee appreciate that as a result of the efforts of the Tobacco Board a few banks agreed to offer loans to the farmers of virginia tobacco for 1984 crop season. They hope that the Board would continue its efforts in this direction and agricultural loans would be available to farmers in Karnataka, Andhra Pradesh, Gujarat and other States from a larger number of banks during 1985 crop season and also subsequent seasons.

## CHAPTER IV

### RESEARCH AND EXTENSION

#### A. Budget Estimates and Expenditure

4.1 With regard to Budget allotments and actual expenditure incurred by Tobacco Board during the last 5 years under the head "Scientific, Technological and Economic Research", the Ministry have supplied the following figures:—

Year	Budget Estimates	Revised Estimates	Actual Expenditure	Variation between Revised Estimates and Expenditure
1979-80	25,000	5,000	2,208	(—) 2,792
1980-81	1,00,000	10,000	1,029	(—) 8,971
1981-82	25,000	10,000	—	(—) 10,000
1982-83	30,000	20,000	34,500	(+) 14,500
1983-84	20,000 2,00,000	20,000 65,000	— 37,737	(—) 20,000

4.2 Initially Rs. 25,000 were allocated towards Scientific, Technological and Economic Research in 1981-82 which were revised to Rs. 10,000 subsequently. Similarly in 1983 Rs. 20,000 were budgeted for such Research. However, on both occasions no expenditure was incurred. In other years there is a very wide variation between the Budget Estimates, Revised Estimates and Actual expenditure. During evidence when the Committee observed in this context that research did not get the importance, it deserved and funds were budgeted for without drawing up proper schemes, the representative of the Ministry of Commerce stated:—

"The reason for this Budget is to provide funds to other institutions to carry out research projects of our interest. For instance, in 1980-81, we had asked the Indian Institute on Packaging, Bombay, to conduct research on improvement of packaging material for unmanufactured tobacco and bidis. That year, they could not do that and

they did it next year. In the year, 1980-81 we had a short-fall and in 1982-83, there was extra expenditure and in the other years, no particular project was approved."

4.3 The witness added that research work was not given importance and expenditure under this head could not be incurred to the extent to which funds were earmarked under Budget or Revised Estimates. When the Committee asked the action taken by the Ministry in this regard, the Secretary, Ministry of Commerce stated:—

"I agree with you. I think, this is what we have to do. We have to do more in the area of research because that is how the second stage of development can take place. I understand that the Board is also getting geared up to do this particular work. When we go back, we are definitely going to take a fresh look at the entire research, technology and training programmes."

*B. Tobacco Research and Development Effort*

4.4 On tobacco research, the Ministry have stated:

"The research in tobacco is mainly conducted by the ICAR through the Central Tobacco Research Institute (CTRI), Rajahmundry and its sub-stations located in different tobacco growing regions of the country. M/s. I.T.C. Ltd. ILTD Division, a leading tobacco company is also doing adaptive research. Their concentration is more on light soil tobaccos."

4.5 In a memorandum to the Committee, the representative of a growers organisation has observed:

"In the ever changing phenomena and fast changing preferences for this export-oriented commodity in the international market, the research carried on has to be geared up to the need of the day. One has feeling that the research carried on by the ITC pertains to the need of their industry and the research work done by the Central Tobacco Research Institute falls short of the expectation."

4.6 A Company Executive has suggested to the Committee:

"The Research Development activities of tobacco (should) be centralised under the auspices of the Tobacco Board and it should have a committee consisting of various

scientists and evolve a coordinated approach and this information should be propagated amongst the growers through proper media, so that growers are not confused by different bodies saying different things. It is also felt that very little effort is put in, on the developmental aspect."

On the contrary a Tobacco Scientist has observed that Research is not the concern of Tobacco Board which should only finance research schemes at CTRI, Rajahmundry and cooperate with them in conducting extension trials, package of Practice demonstration, Varietal trials, Training in curing, grading and production technology etc.

4.7 Asked during evidence to give their reaction to the above suggestions, the representative of the Ministry of Commerce stated:

"...The work done by CTRI is very useful. They have evolved seeds which have an average yield of 1,500 to 2,000 kgs. per hectare. But as you know, the more the production goes up, probably the quality does not remain as good as it should be. Our approach is that there is no excess of institutions, there is no overlapping of research institutions. Rajahmundry should do the fundamental research but it should do much more research than it is doing today....

If you have own organisation, then getting a top level scientist is a very difficult job and building up the scientific team is also difficult. Those people who come, their promotion prospects are limited, so in the case of research, there are certain disadvantages also. Keeping this in view, the Tobacco Board should undertake the work of assessing, sponsoring, encouraging, promoting and financing research projects rather than to acquire a research organisation under it. Today, the total funds given by Tobacco Board to research organisations are negligible and the identification of research projects by the Tobacco Board and sponsoring those projects to even universities and other organisations which can undertake the research work, is limited. We will personally look into it and will get more research identified and provided to those organisations. Even in Rajahmundry, fund is not a problem. It is not that they have not accepted the suggestion made

by us because of lack of funds in the institute. Our total non-plan budget has remained lower than the total cess collection on tobacco. Up to that level we have a moral right to get Government grant. It is, to some extent, our failure that we have not been able to get into these things sufficiently....

Whether this research is under the Tobacco Board or by the CTRI, Rajahmundry or by the private traders, as long as it is able to help the people we are happy. But the organisation of the CTRI at Rajahmundry is a very small organisation which has to look after not only the virginia tobacco but several other tobaccos also. Today we are having markets in the whole of the world and half of our product is going to other countries."

4.8 The Committee regret that the Tobacco Board has not given due importance to 'scientific, technological and economic research' on virginia tobacco as is evident from the fact that as against the Budget Estimates for this Head for 5 years (1979—84) totalling Rupees two lakhs (which was revised to Rs. 65,000), the actual expenditure under the Head was mere Rs. 37,737/-. While the Committee agree that there is no need for a separate research organisation being built up within the Tobacco Board, they would emphasise that greater attention should be paid by the Board for promoting and financing research projects in the existing research institutions such as the Central Tobacco Research Institute, Rajamundry. For this purpose adequate provision should be made in the budget of the Tobacco Board. Specific research projects based on the problems faced by the farmers in containing diseases or increasing production etc. should be farmed out to the research institutions and these should be properly monitored and their progress assessed from time to time at the Board level to ensure that the financial support extended to the research institutions is fruitfully utilised.

### C. Solar Barns

4.9 The Ministry of Commerce have stated that "Success has also been noticed in popularising the practices which will result in economy in fuel cost in curing which constitutes a substantial portion of the total cost of production of VFC tobacco. An attempt is also being made to introduce solar barns in coordination with CTRI and other agencies....".

4.10 Asked during evidence to state the progress made in introducing solar barns, and also its economic viability, the representative of the Ministry stated:—

“This is one area of research work which is of very great interest to the tobacco farmers. The work on this is being done by two agencies—CTRI and the National Industrial Development Corporation...The actual design of the barn to be adopted in the field is still at the stage of finalisation. In principle they have been able to demonstrate that solar energy can be used for curing of tobacco. It can be used throughout the Andhra belt though in Karnataka belt it may not be very much applicable. While the technique has proved to be successful, the commercial viability is yet to be established before it can be used in the field. We are told that a CTRI barn will cost roughly Rs. 45,000 whereas the National Industrial Development Corporation’s barn will cost about Rs. 85,000. These costs are extremely high and no tobacco grower will be able to afford it. Even with subsidy the economics will not work out.

Solar barn, even though solar energy is used by it, will not completely do away with the use of conventional fuel. It will supplement to the extent of 20 per cent. The solar barn is economical if it can be used throughout the year. If there is an area where it can be used for tobacco for 3 to 4 months and then if it can be used for some other product, then it can be workable. If this problem is solved by the research institutions, this can be useful.”

4.11 The Ministry have stated that the economic feasibility of the solar barn is yet to be established and also that it could be useful in Andhra Pradesh and not in Karnataka. As Andhra Pradesh produces about 80 per cent of the total production of virginia tobacco and the number of big and medium farmers there is sizeable, the Committee feel that research in designing and developing a cheaper solar barn should continue.

#### *D. Fuel Saving JTS Jacket*

4.12 The Ministry have stated that the “cost of curing accounts for nearly 25 per cent of total cost of cultivation. JTS Jackets evolved by the Research Division of ITC in collaboration with JTS has proved to be more economical as it reduces the fuel consumption by 20 per cent and curing time by about 10 per cent. In order to

popularise this equipment, the Board has been supplying JTS Jackets to progressive farmers for demonstration purposes. In coming (1984) Karnataka season, this programme is being implemented on a large scale."

4.13 Asked during evidence about the feasibility of the JTS Jacket and its suitability in the major virginia tobacco growing regions in the country, the representative of the Ministry of Commerce stated:—

"It may be useful to explain what is a jacket. As you know, after being plucked from the plant, tobacco is in the form of green leaves. Then it is to be cured by a barn. Each leaf is separately tied on a hood and hung in a particular barn. Then it is circulated through a flue tube inside the barn. As a result, the leaf gets cured and its colour turns from green to brown, depending on the quality of the tobacco. The best result can be obtained if the heat is given uniformly. What has been discovered is when the flue tube through which the heat passed, is covered by a jacket which is nothing else than a shield, then the heat radiation is more uniform. All the heat passes on to the leaves and is not dissipated through the walls outside. Once the jacket is fixed, there is 30 per cent saving in the use of fuel and also 10 per cent saving in the time required for heating. It is only a technique which is important. The material required is very inexpensive. The cost of JTS Jacket is Rs. 600 only. It could be used not only in Andhra Pradesh, but in Karnataka also. The Tobacco Board has taken steps to distribute this, but there are many units which are manufacturing the JTS Jacket on their own. Tobacco Board is also demonstrating to large number of farmers so that the impact can be seen on the field. The Board has also got a scheme of subsidising it to the extent of Rs. 200."

4.14 In a written note on the total requirement of JTS Jackets if the entire VFC tobacco growing regions are to be covered, the Ministry have stated that one JTS Jacket is required for one barn. There are about 45,293 and 16,000 registered barns in existence in Andhra Pradesh and Karnataka respectively. Therefore, 61,293 JTS Jackets are needed to cover the main VFC growing regions in India.

About the number of JTS Jackets actually in use and the area covered by them in each of the VFC growing states, the Ministry have added that roughly about 5 per cent of the barns are equipped with JTS Jackets. The area covered by each JTS/Barn is based on area allotted per barn in that season by the Tobacco Board.

**4.15. In view of the fact that the use of JTS Jackets costing only Rs. 600 could reduce the fuel consumption on curing of tobacco by about 30 per cent and the curing time by about 10 per cent, and also the fact that it could be used in all the Virginia tobacco growing regions in the country, the Committee recommend that the Tobacco Board should make special propaganda efforts through the various mass media to popularise the use of these jackets for which a subsidy to the extent of Rs. 2.00 is also available.**

#### *E. Subsidy to Growers*

4.16 A tobacco scientist has given to the Committee the following suggestions with regard to subsidy to tobacco growers:

“Subsidy should be given only in kind and not in cash for conducting the Extension and Demonstration Trials. These trials be conducted only in the fields of small farmers (having less than 5 acres) as the small farmers who constitute 75 per cent of the total tobacco farmers should be helped to increase their yields and improve the quality of tobacco, as big farmers can, by themselves, afford to provide the inputs needed by themselves.”

4.17 Asked during evidence to explain to the Committee the existing practice and procedure of giving subsidy to virginia tobacco growers and whether the interests of small farmers were protected in the matter of giving of subsidy, the representative of the Ministry of Commerce stated:—

“Percentage given therein—75 per cent—is not correct. The percentage of small farmers is only 37 per cent. If you go by the real definition, the total farmer’s holding should be less than 5 acres. Then 17 per cent of the tobacco farmers are small farmers. The small farmers are in insignificant proportion. The subsidies are given in this way:

Varietal Trials: Rs. 150 per acre is given by way of subsidy on account of extra expenditure that the grower will have to incur on pesticides, fertilizers etc.

**Demonstration Plots:** A subsidy of Rs. 100 per acre is given to the farmer against estimated expenditure of Rs. 200/- to be incurred by him.

**Topping and Suckering:** Subsidy of Rs. 150/- per acre is given against an estimated expenditure of Rs. 400/-.

**J.T.S. Jacket:** Subsidy of Rs. 200 is given on the cost of jacket which is about Rs. 600/-.

It is not that it should only be given to the small farmers."

4.18 When the Committee suggested that as small farmers had no capacity to incur extra expenditure, the subsidy should be given to them only, instead of giving it generally to the farmers of all categories, the representative of the Ministry of Commerce stated:

"We give this subsidy to meet extra expenditure. I do agree with you that we need to help the small farmers..... (but) while planning Demonstration Plots, the real consideration has been to cover the area so that it may have maximum effect on the farmers community (as a whole). It is a topographical problem."

On the Committees' suggestion that preference in the matter of giving subsidies should be given to small farmers, the Commerce Secretary stated that it was inherent in the scheme.

**4.19. The Committee recommend that in the scheme of subsidy greater benefit should be given to the small farmers.**

#### *F. Extension Programmes*

4.20 The Ministry of Commerce have described the Extension Programmes undertaken by the Tobacco Board as follows:—

"Tobacco Board has established a net-work of field offices in virginia tobacco growing tracts. Every year, different extension programmes are implemented by the Board through these field agencies. Some of the important activities and programmes undertaken by the Board include distribution of seeds of improved varieties, model nurseries for pure seedlings, demonstration on the progressive farmers' fields, crop yield competitions, imparting training to farmers in curing and grading conducting

study tours for growers, etc. These programmes have succeeded in popularising some new varieties and improved cultural practices among the farmers."

The Ministry have further stated that "during the last 5 years 74 (Progressive Farmers) demonstrations have been organised both in AP and Karnataka. Significant improvement of yield has been noticed in all these demonstrations. The feedback provided by the Board has proved useful in further improving research efforts."

4.21 According to the Ministry, about 10 per cent of the cultivation of VFC tobacco is carried on by modern technical methods and improved practices. Normally the progressive farmers adopt this method because it involves a larger expenditure although commensurate by higher yields and incomes. Small farmers generally do not resort to these methods as they involve higher initial investment besides the constraint of small size of the farm. The Ministry have further stated that about 100 growers are on an average, trained by Tobacco Board in curing, grading etc., per year since 1976. It is proposed to cover more and more growers under this programme with the strengthening of the field staff. With regard to study tours for growers conducted by the Board the Ministry have added that about 500 growers have been covered under this programme. The Ministry proposed to take a group of growers from Andhra Pradesh to Karnataka for observing auction system there. According to the Ministry, about 100 persons are working on the extension side and their work is now so organised that each covers on an average 500 to 600 growers a year. It is stated that the extension staff of the Tobacco Board is being trained in batches in the specialised institutions like C.T.R.I. and the Agricultural Research and Training Centre etc. The Board have also arranged for special training programme with the packing houses for these functionaries. Under the auction system the functionaries will have better and wider opportunities for training on the job. Some technical staff have also been trained in Zimbabwe in Auction system. The Ministry have added that there is no proposal for the time being to extend the extension programmes of Tobacco Board to States other than AP and Karnataka and there may not be any need for such arrangements as the cultivation of VFC tobacco is confined largely to these States.

4.22 In a memorandum to the Committee a non-official organisation has pointed out that "the responsibility of extension is claimed by the State Department of Agriculture..... wherein a special crop like virginia tobacco lost its identity."

4.23 Asked by the Committee during evidence about the scale on which Tobacco Board conducted extension work regarding virginia tobacco in comparison with extension work done by State Agricultural Departments, the Chairman, Tobacco Board stated:—

“Sir, the responsibility of extension work in VFC tobacco is claimed by the Ministry of Agriculture, Directorate of Tobacco Development, and the State Governments’ Agriculture Departments have always raised a dispute with us. Whenever we want to take up the extension programme in the Board meeting where they are represented, they say it is not the function of the Tobacco Board. However, in order to maintain close liaison with the tobacco farmers, we have our field set up. Through this set up which is functioning at the field level, we try to perform the role of dissemination of knowledge and technology and also the role of supply of inputs.”

4.24 When the Committee asked that if extension work on tea and coffee is looked after by Tea Board and Coffee Board, why could not Tobacco Board be entrusted with extension work on virginia tobacco, the witness stated:—

“Tea and Coffee had not been bifurcated..... In this particular case (tobacco), unfortunately, it has been split into two. Before this Act was passed there was already a body from the Ministry of Agriculture in the field. They had that in-built resistance against this particular activity.

I am giving you historical explanation as to why this sort of separation is there. The word which has been used is of a charitable kind ‘accommodating’.”

4.25 On being reminded by the Committee that according to the Chairman Tobacco Board, State Governments objected to the Board undertaking extension work, whereas according to the material supplied by the Ministry, the Board did attend to extension work also, the representative of the Ministry stated:—

“In the Tobacco Board Act the clear cut function has not been given.

As desired by the Committee the hands of the field officers have been strengthened 6000 tonnes of seeds are distributed by the Field Officers of the Tobacco Board. We distribute the chits. We arrange supply of fertilisers. In fact we are doing extension work though on paper we are not supposed to do.’

4.26 On being pointed out by the Committee that one of the functions of the Board was "sponsoring, assisting, coordinating or encouraging scientific, technological and economic research for the promotion of tobacco industry", the witness clarified:—

"We can suggest 'research' to the Agriculture Ministry. We can give them money and also to the private institutions. It is not our direct responsibility....."

.....The 1984 Expert Committee had a discussion with the Agriculture Department of the State Government whether they would transfer the work of extension in the Andhra Pradesh area to the Tobacco Board. They had some legitimate objections apart from the fact that, under the Constitution, it is under the State List and it is their right to have extension. The point is that extension is multi-dimensional. The same farmer grows tobacco and also other crops. If we have extension for each crop, crop-wise, that will be a new concept."

4.27 The Committee are disappointed to note that even eight years after the setting up of the Tobacco Board in 1976 only about 10 per cent of the cultivation of virginia tobacco is carried on by modern technical methods and improved practices. The Committee were informed in another context that only about 17 per cent of the cultivators of virginia tobacco are small farmers owning less than five acres of land. It should not be difficult for the remaining 83 per cent comprising big and medium farmers to adopt latest techniques and practices for cultivation and curing of tobacco because the constraints of higher expenditure, as averred by the Ministry, should not normally apply to them. What appears to be lacking is an intensive extension programme to make the farmers aware of the benefits of adopting latest techniques and practices. The Committee therefore recommend that the Tobacco Board should, in coordination with State Departments of Agriculture, intensify extension efforts so as to be able to convince a larger number of virginia tobacco growers of the economic benefits of adopting latest techniques and practices for cultivation and curing of virginia tobacco.

## CHAPTER V

### INTERNAL MARKETING

#### *A. Tobacco Leaf Purchase Voucher Scheme*

5.1 With regard to implementation of Tobacco Leaf Purchase Voucher System the Ministry have stated that:—

“The Board has been watching timely receipt of Vouchers Copies and monitoring payments as and when complaints of default are received. Besides persuading the defaulters to make good payment, the Board has been taking legal action to cancel registration or refuse renewal of registration to defaulting companies.”

5.2 However, a growers' representative has represented to the Committee:—

“The TLPV system contemplates prompt payment to the growers, 60 per cent of the amount payable by the 10th day of the purchase and the rest of the amount payable within 90 days, with 14 per cent interest. The trade who, apparently agreed to this system could effectively evade payments under various pretexts. The Tobacco Board became a helpless spectator unable to implement the reforms introduced for want of required enforcement staff.”

5.3 Asked during evidence to give Governments' reaction to the above representation and state whether the enforcement staff of the Board needed to be augmented, how much time was taken by the Board in initiating legal action against defaulters, how many complaints were received by the Board and in how many cases had the Board taken legal action to cancel registration or refused renewal of registration to defaulting companies during the last 3 years, the representative of the Ministry stated:—

“The TLPV Scheme was evolved in consultation with the Reserve Bank of India, as a response to a problem which the growers were facing in respect of payments made to them. It was felt that unless and until we evolved some principle whereby the commitment of consideration

is made at the time the sale takes place, we will never be able to help the grower. This particular scheme has three dimensions, viz. grower, trader and the Board itself. When we started the whole operation, we had these three in the game, with the total backing of the Bank itself. We are happy to say that when the scheme started, the most important thing which happened was this; a documentation got ready, which showed clearly that so much was sold to such-and-such a company, that such-and-such a company had the responsibility and obligation to make the total payment. It is really this aspect which is the most important element in the scheme. It gives birth to a documentation which puts the grower on a firm footing.

In respect of actual payment default there is, however, a certain lacuna. Persuasion and moral obligation have been provided, but there is no legal sanction for them, with the result that whenever the Tobacco Board had to take some action, it had to fall back upon other remedies provided, e.g. de-registering a person, cancelling his registration and not registering him in future. The system did operate well. Looking at the defaults which came before us, we find that their number started decreasing.

I was looking to your other question wherein the answer to the whole malady lies. Usually, wherever this happened, action was taken by the Board within a week. Usually, the case decided within 2 or 3 months. The Board immediately leaped into activity, and took action. You can look into the amount defaulted and recovered: generally, about Rs. 150 crores worth of business takes place. Against this Rs. 150 crore worth of transactions, we have only Rs. 1.15 crores in default. Collections have been made in respect of this default of Rs. 1.15 crores also.

The answer to the other part of the question is that during the last three years we have received about 1468 complaints and the number of complaints is coming down, because the mechanism became efficient and effective and started taking notice of any default taking place. The payment was made by the people when the threat of de-registration or decanalisation and other things were taken against them. Wherever we have brought the second phase of our activity, that is the auction system, especially in Karnataka, the things have become much firmer in favour of growers. But this

particular action is limited to, as I said, taking action by way of non-registration or cancellation of registration. Beyond that they could not go because the prosecution was a very detailed method. The lacuna is not because of the shortage of the staff but because of this particular procedure. When the Government and the Board faced this situation, they realised that the answer to this was not increase in staff but bringing in an auction system. We are of the view that when the auction system will start moving, the payment will become easier. In the auction system, the total responsibility of instant payment will rest with the Board. In the auction, a man who comes and bids is the man who has already given a bank guarantee. The TLPV has played a very important role during the interregnum and supported by the auction system, we have a complete system in which the growers will definitely be protected. It is two or three companies who have been the defaulters and action is taken against them. But we are not satisfied with the action unless payment is made to the growers."

5.4 On the Committee's observation that when the companies default, their partners form some other companies and they start doing export business also, with the result they cheat international traders also, the representative of the Ministry replied:—

"A company may be there but for our purposes to bid and get TLVP it has to get the approval of the Board and scrutiny is being applied. If you look to the totality and the magnitude of it, you will find that we are able to exercise certain hold on these transactions and take care of it. The Board is not registering these particular companies as just a matter of right. But there can still be some people who can dodge."

5.5 The representative of the Ministry agreed with the Committee's suggestion that more effective action could be taken against the defaulters through a suitable amendment to the Tobacco Board Act, 1975 and stated:—

"The Law Ministry has said that unless you amend the Act, you will not be able to prosecute any person under the Act. This lacuna will be made good and covered in the Amendment that will be introduced in the next session of Parliament. The Cabinet has already approved it."

5.6 Asked by the Committee whether there was any provision for the distress recovery of arrears due to growers, the representative of the Ministry stated:—

“As the Tobacco Board Act stands, the responsibility for ensuring payment has not been placed on the Board... when we move to the auction system, the whole focus is shifted from the trader to the Tobacco Board because, the Tobacco Board owns all the responsibility of auction and payment... Here we have laid down a condition that a Bank Guarantee must be given by the man before he comes and bids in the auction.”

5.7 Tobacco Leaf Purchase Voucher (TLPV) Scheme was introduced by the Tobacco Board with the backing of the Reserve Bank of India to mitigate the problem of long delays in payments for sale of virginia tobacco to the growers by the traders or consumers. Even when the sales are made under this scheme, cases have come to light when the purchasers have defaulted in making payments. At present the Board has no remedy in such cases except de-registration, or nonregistration in future, of the trader/consumer concerned. The Committee are informed that under the auction system of sale of tobacco, the problem is likely to disappear as the purchaser under such a system has to give bank guarantee against which payment is made to the grower by the Board itself. The problem would however remain in areas where auction system has not yet been introduced i.e., in Andhra Pradesh and Gujarat, and in cases where the farmer does not sell his tobacco under the auction scheme. The Committee learn that the amendments to the Tobacco Board Act proposed to be brought before Parliament also provide for punishment to be meted out to violators of the regulations laying down the TLPV Scheme. The Committee hope that the amending legislation would be brought before Parliament at the earliest to enable the Board to prosecute purchasers of virginia tobacco under the TLPV Scheme who default in making payments to the growers within a specified time.

#### *B. Remedy against unscrupulous unregistered purchases*

5.8. Section 12 of the Tobacco Board Act, 1975 provides that “No person shall export tobacco or any tobacco products or function as a packer, auctioneer or dealer in tobacco unless he registers himself with the Board in accordance with the rules made under this Act.” Section 28 of the Act further provides that “no prosecution for any offence punishable under this Act shall be instituted except

with the previous sanction of the Central Government."

5.9. In a memorandum to the Committee, the representative of a Grower's Organisation has represented:—

"Of late the octopus of cheating has been another form. Some of the persons start purchasing (tobacco) under fictitious names offering high prices compared to bonafide companies. Lured by the high prices innocent growers walk into their traps and part with their stocks..... The Board is not enabled to deal with such cheats directly but is required to approach the Govt. of India. Therefore, Tobacco Board (itself) should be vested with adequate powers to deal with the cheating."

5.10. Asked during evidence whether the Govt. were aware of the Benami purchases made to the detriment of cultivators and the steps taken to check such purchases, the representative of the Ministry stated:—

"Regarding the benami companies, on records we do not have any complaints as such. If you look at the procedure which we have prescribed, there are certain in-built safeguards. We have said that only the companies which are registered with the Tobacco Board can go in for business of purchase from the growers. The Board has to see that the purchaser has got TLPV. Unless and until it is there, the grower should not enter into a transaction with him. We certainly want to protect the grower, but the grower must also enter into a transaction with open eyes, specially when it has been publicised as to which are the companies which are registered; unless and until the TLPV forms issued by the Board are there, they should not operate. The farmer in order to make some easy gain somewhere trespasses these particular rules; then he runs into a difficulty by himself. But having said that, we have always taken notice of any default of this particular character which has happened. Benami transactions should not take place because of the TLPV and a benami firm should not be there because it is only the registered firms which should be there in the market."

5.11. On the attention of the witness being drawn by the Committee to the reply to given to a supplementary question by the Deputy Minister of Commerce in Rajya Sabha on 7th August, 1964 that the

Tobacco Board had been directed to look into the purchase of tobacco by 'benami' companies which had not paid money to the growers and the Ministry would initiate action as soon as the Board submitted its findings, the representative of the Ministry of Commerce stated:—

"The facts are different. But here also possibility of a benami has been suggested. If anything of this sort is going to happen, surely we will take action and we will de-register them or we will make it difficult for them..... What has happened is that in reporting, probably the meaning has got a little changed. The whole thing is dealt with under the TLPV scheme. For instance there are three companies which owed more than Rs. 1 crores. We have been able to de-license them, but we are not able to recover the money from them. In that context only the term 'benami' was used. Under the Act there is a provision as to how a company is registered. An average tobacco grower knows everything and he is very clever."

5.12 On being asked by the Committee whether the inability of the Government to get the growers arrears recovered from defaulting companies did not also warrant an amendment of the Act, the witness stated: —

"I think you are right. At the moment it is treated as a transaction under General Sales Act. The only great advantage which has come out of our endeavour is in two ways: (i) You have got a documentary evidence that the sale has taken place (ii) the Board can perhaps also support some of these farmers in the legal prosecution which has to be done. You think that this power should rest with the Board itself to go in for prosecution. What we thought is that unless the Board has a stake in it, it cannot do anything. That is why under the Auction system we introduced this items."

5.13 When the Committee observed that there should be suitable arrangements in the Board to effectively deal with such complaints, the Commerce Secretary replied:—

"...if you take the magnitude of the dues which are there it is less than 1.5 per cent...."

We will have it legally examined.....

While trading system is going to be amended by bringing in auction system, these things will be taken care of. But as between this period when the entire area shifts to auction, there must be something where we could take care of all these things. We will have to give it a legal shape."

**5.14 Innocent small farmers who, under the lure of fancy prices for their tobacco, give their produce to unregistered purchasers on credit basis and thereby get duped, have at present no one to look to for assistance. For instance, three companies alone owe more than Rs. one crore to such farmers. The Committee feel that the Tobacco Board should be able to intervene in such cases also and secure justice to the farmers by prosecution of the purchaser in a Court of Law. More de-registration of companies indulging in such nefarious activities is not enough as it helps the cheated farmer in no way. If the Board has no such power at present, the Committee would like such power to be made available to the Board through an amendment to the relevant Act.**

#### *C. Market Intervention by Government Agencies*

5.15 One of the function of the Board, is "purchasing Virginia tobacco from growers when the same is considered necessary or expedient for protecting the interests of the growers and disposal of the same in India or abroad as and when considered appropriate."

In the Annual Report of the Tobacco Board for 1982-83, it has been stated:

"1983 marketing season in A.P. proved to be a difficult year like 1978 and 1979. As against the crop of 133 million kgs. produced in 1982, a crop of 150 million kgs. has been estimated in the current year, low grade production being more in 1983. On account of lack of adequate export orders and disinclination of the domestic cigarette manufacturers to enter the market for purchase of low grades, there was a market crisis. The Commerce Ministry announced in Lok Sabha on 17.3.1983 that the STC of India would enter the market on a no profit no loss basis to undertake purchase of exportable varieties of VFC tobacco. The total purchases by STC during these operations till the end of June, 1983 was about 18 million kgs. At the end of June, 1983 a total quantity of 150 mil-

lion kgs. had been otherwise marketed. The estimated quantity of tobacco lying unsold with the farmers is estimated to be about 6 million kgs. at the end of June, 1983."

5.16 The representative of a Growers' organisation has suggested that "as a regular responsibility, the Tobacco Board should be allowed and empowered to purchase the expected surplus stocks every year" instead of the present *ad hoc* arrangements whereby STC does this job on directions from the Government of India.

5.17 Asked during evidence whether the STC or any other public agency entered the tobacco market earlier also under similar situations, and whether the Government had taken a final decision with regard to creation of a regular stabilising agency to dispose of surplus stocks of tobacco with a view to protect the growers in the years of excess tobacco production as suggested by the Working Group in their Report on Comprehensive Tobacco Policy (1984), the representative of the Ministry of Commerce, stated:—

"As far as the Tobacco Board is concerned, it has not owned up the responsibility of selling and giving the money to the farmers. Wherever interventions have taken place it is not so much to stabilise the prices but to meet the distress. But the way in which we are running the Tobacco Board it is very clear that stabilisation is not one of its functions. But in the past State did intervene. For instance, in 1978 the State did intervene because the production was over 1.5 lakh tonnes and, therefore, the Government decided to purchase 10,000 tonnes of tobacco through STC. Similarly, in 1979 Government purchased 6000 tonnes of tobacco against a production of 1.24 lakh tonnes and in 1983 Government purchased 18000 tonnes against a production of 1.52 lakh tonnes. So, the purchases range between 5 per cent and 12 per cent. Usually it is the STC which has been used for this particular purpose. But there have been cases where AP Corporation and others have also been asked to go in the field and purchase. But by and large, the farmers have preferred STC. We still hold the view that by bringing in the auction system the responsibility shifts to the Tobacco Board. This responsibility will make us go into other things. If the farmers register with the Board, their surplus will be sold by the Board."

5.18 When the Committee observed that the basis objectives of the Board being two; (1) to regulate the market and promote export of virginia tobacco and (2) to ensure that the farmers get a remunerative price in the case of a glut, naturally the Board should intervene and be a purchasing agent rather than the STC, the representative of the Ministry replied:—

“First, your first two points have to be tackled, because they have merit and real significance here. He should be able to sell, not at the distress price but at a reasonable price. So, the minimum price idea has been brought in. To that extent, he is sure; he cannot go beyond that level. Secondly, it will be purchased. Whether it should be the STC or the Board is the question. We had felt that the operation of purchase requires a certain expertise and professional knowledge as to how to grade it. At that time in the past we felt that the STC was in a better position than the Board. Now with the auctioning system, we are making the Board to buy it.”

5.19 The Committee are inclined to agree with the recommendations of the Working Group (1984) that the Tobacco Board itself should be made a stabilising agency in so far as domestic and export prices of virginia and other exportable varieties of tobacco are concerned, and recommend that in the event of excess production of virginia tobacco in future, the Tobacco Board itself, instead of the State Trading Corporation, should enter the market and mop up the excess so that reasonable prices are assured to the cultivators.

#### *D. Marketing Facilities and Grading of Tobacco*

5.20 The estimates and expenditure of Tobacco Board under the head “Improvement and Maintenance of Marketing Facilities” were as follows during the last 5 financial years:—

Year	Budget Estimates	Revised Estimates	Actual Expenditure	Variation between Revised estimates and Expenditure
1979-80	10,00,000	10,00,000	2,95,284	(-) 7,04,716
1980-81	10,00,000	2,00,000	1,21,460	(-) 78,540
1981-82	20,00,000	2,00,000	9,000	(-) 1,91,000
1982-83	10,00,000	4,00,000	3,74,846	(-) 25,054
1983-84	5,00,000	5,00,000	3,57,852	(-) 1,42,148

5.21 Explaining the reasons for savings under this head, the Ministry have stated "the programmes made for maintenance of grading centres could not be fully implemented in view of prolonged consultations with the representatives of growers and trade."

5.22 Explaining during evidence the circumstances necessitating prolonged consultation with the representatives of growers and trade, the representatives of the Ministry dwelt at length with the two stages of grading of VFC tobacco and stated:—

"Grading is of two types. Firstly, there is grading which is at the farm level. This is done after tobacco is cured. A lot of time was spent in finalising the code of grading at the farm level. Ag-mark grading is done after it is purchased by the traders. There is redrying, stripping and then packing....

There has been delay in finalising grades. This is a very very difficult problem....

When the Board publishes grades, there is objection from the people. They represent to us. Economic advantages and disadvantages accrue once the grades are fixed....

They have been hearing objections. It is only after that we will be able to finalise. So long we do not do grading, that money is not spent."

5.23 When the Committee pointed out that unless the Ministry adopted measures to contain the influence of traders in the Board and directed it to get the grading procedures finalised within a time schedule, the growers would continue to be exploited by traders, the representative of the Ministry of Commerce answered:—

"We agree that the delay in finalisation of the grades is because of contrary interests. The traders would like broad grading so that the freedom of purchasing grades of better quality at a minimum level of average prices is more. But the point I wish to make is, there is no point in theoretically analysing the grade when there is no marketing and purchasing according to grade.

In Karnataka, graded tobacco was sold because there was auction system. In Andhra Pradesh also, if we have auction in February, we will have the grading done by the farmers..... If you do not auction, then the buyer may buy mixed grade because grading involves expenditure. My point is, to enforce system of grading, it is necessary

for the Government or the Tobacco Board to have its own auction. As it is now, it takes mixed grade."

5.24 In a written note on Grading of Virginia tobacco the Ministry have informed the Committee:—

"The Tobacco Board Act is being amended to empower the Board to licence commercial grading.

The growers have been grading tobacco on the basis of plant position in the light soil areas of Andhra Pradesh and Karnataka and on the basis of colour in the black soil. These grades are made at the farm level after curing of the tobacco for the purpose of marketing. The buyers purchase tobacco in terms of plant position grading and or colour grading which are being emphasised by the Board from time to time for the purpose of assessing a remunerative price to the grower. The plant position grades have since been standardised and notified in Karnataka and the auctions are being conducted on the basis of these grades in the current season in Karnataka. The farm grades have been increased to 10 from 8 and are under notification separately.

The tobacco is re-graded, stripped and re-dried after its purchase by the traders and is packed into Agmark grades. The Agmark grades are required for the purpose of exports and these grades are notified by the Agmark department. The tobacco purchased at the farm level has to be blended for the purpose of packing into Agmark grades which are based on colour, chemistry and quality considerations. Hence, it is not possible for the farmers to make Agmark grades at the farm level.

The auction system is already introduced in Karnataka and is proposed to be introduced in Andhra in phases. The experience in Karnataka shows that the plant position grading has improved after the auction system is introduced and it is proved related to price realisation. It is expected that the farm grading in black soil would also be adopted seriously in Andhra Pradesh once auction system is introduced.

As already explained above, the growers cannot make Agmark grades. Hence, the question of popularisation of Agmark grades among growers does not arise. It is necessary and desirable to have grading at 2 levels, one at farm level and another at export level.

The Board has employed field staff to propagate proper grading among the growers and they have also been helped by the field staff to make such grading. The uniformity in grading would get perfected by practice and there is already a marked improvement in grading in Karnataka. The uniformity will also emerge once the growers are convinced that the grade and price are fairly related."

**5.25 Proper grading of tobacco at the farm level is important and necessary to enable the farmers to secure remunerative prices for the various types of tobacco grown by them. The role of the field staff of the Tobacco Board in educating the farmers in proper grading of their tobacco therefore assumes considerable importance. The Committee would like this activity of the Board to be stepped up.**

**5.26 The Committee would again emphasise that budget estimates initially, and later on the revised estimates should be framed realistically in the light of targets set and progress of achievement so that the scope of variations between estimates and actual expenditure is the minimum. As it is, these variations are very wide under the head "Improvement and Maintenance of Marketing Facilities" which the Committee deprecate.**

## CHAPTER VI

### EXPORTS

#### A. Targets and Achievements

6.1 The targets fixed for export of unmanufactured tobacco and tobacco products and the actual performance during the last 5 years are indicated as below:

##### (i) Unmanufactured Tobacco:

Year	Export Target		Actual Exports	
	Quantity (m. kgs.)	Value (Rs. crores)	Quantity (m. kgs.)	Value (Rs. crores)
1979-80	80.0	120	76.3	104.85
1980-81	74.1	121	78.5	124.85
1981-82	82.5	135	114.6	202.86
1982-83	85.0	175	93.8	204.41
1983-84	90.0	200	89.9	181.05

##### (ii) Tobacco Products :

1979-80	4.0	4	9.8	11.28
1980-81	7.0	14	12.3	16.26
1981-82	8.0	15	17.8	30.53
1982-83	12.0	25	15.8	27.23
1983-84	15.0	30	16.9	23.57

6.2 It would be seen that in respect of unmanufactured tobacco targets were not achieved during 1979-80 and 1983-84. There was shortfall in the achievement of targets of export in respect of tobacco products during 1983-84. The Ministry have, explaining the shortfall, stated that :“usually target for export is set on the basis of macro level assessment of the export potential to various target markets. But experience shows that sudden fluctuations in certain markets upset our efforts to achieve targets.”

6.3 Asked by the Committee to explain the precise reasons behind the decline in exports, the witness stated that there was some muddle in quality which led China to reject our exports. He added:-

“There is a sort of a story which tells the reality of the tobacco trade. Tobacco is a precious item of purchase for Soviet Union and Soviet Union used to send their own officials who visited Guntur and other areas, took samples, sent them to their country and then entered into a contract. Similar things happened in respect of Bulgaria. This practice was running to the satisfaction of both sellers and buyers till 1982-83 when there was a feeling that they were not satisfied with the quality. When they brought it to our notice one of the points that we made was that they themselves have entered into the agreement after satisfying themselves about the quality, so how can they raise that aspect now.”

Q.4 On being pointed out by the Committee that this, was not only a trader's but a national loss also and that the quality of samples shown in advance should be strictly adhered to in exports that follow, the Secretary, Ministry of Commerce stated:—

“We have got this general principle agreed by Soviet Union and other countries that when they are going into a negotiation irrespective of our inspection agency then it is their risk and they have accepted it. We have also taken up this particular case with the Ministry of Agriculture and with the Rural Development Department and we have pointed out to them that they are responsible for AGMARK and other things and it is they who must tighten up the proper mechanism for inspection. I am happy to tell you that since then we have not got any bad report about Indian tobacco from Egypt and others. They have felt very happy and satisfied with our performance. China's clear indication is to the effect that they are reviving their interest in India and they would come back to us. As regards Soviet Union, this is being handled by a team and they are looking into the prospects of buying more from India.”

6.5 When the Committee observed that as a Ministry responsible for export Commerce Ministry should be held responsible for quality, the Commerce Secretary replied:—

“For the last one or two years, we are bestowing more and more attention to quality. Not only the Government of

India is doing it, but the traders as a whole have come to realise its importance. The realisation has come upon them that quality is an important hall-mark in the future. Another thing which we do is this. In respect of individuals, it may so happen that individuals may sell garments or shoes today and disappear tomorrow. So, we always encourage institutions to do it. They have long-term interest in the thing and they are always eager to develop the quality aspect of it. At one time the Japanese goods were considered to be not of good quality. But today we find that the name of Japan has become synonymous with good quality. In our case also, we are going through this particular stage and this awareness is coming up. At the same time I wish to point out that we are sometimes maligned also. When Australia and England mentioned it in their prime T.V. time for instance we told them exactly the whole story and we pointed out that some black sheep will be there and we have to deal with them. So, I do not think that India's record is all that very bad. When I went to Moscow last time I presented our case before them. I told them that we are not interested in shielding the black sheep.

Sometimes rather a very technical view is being taken. Quality control on Tobacco is a subject which is under the administrative control of the Ministry of Rural Development. The desire for one to hold on to one's subject continues and one does not like to surrender such an item."

6.6 On being asked by the Committee that if it were under the Ministry of Commerce, better work could be done, the Commerce Secretary replied:

"As a general rule I may say that the agency giving judgment on quality should be different from the concerned agency doing export. After all Government is one. Industry Ministry, Rural Development Ministry, etc. are various facets but the Government is one and the same. Our endeavour is always to impress upon the Ministry of Rural Development that the quality of inspection should improve."

6.7 Pointing out that the disputes between our exporters and foreign importers regarding the quality of exports are not conduc-

ive for healthy promotion of international trade, a representative of growers has suggested the following measures:—

- “(i) All the Marketing Officers dealing with Tobacco, now under the control of the Agricultural Marketing Advisor to the Government of India should be brought under the control of the Tobacco Board.
- (ii) All Tobacco samples meant for presentation by our exporters to foreign importers should be channelled through the Tobacco Board alone.”

6.8 In a written note on the measures devised to check malpractices in exports which tarnish the image of the country abroad, the Ministry have intimated:—

“Quality control is operated under Agriculture Produce and Marketing Act and is the responsibility of Ministry of Rural Development which is functioning for a very long period. It will be difficult for Tobacco Board to undertake this responsibility in toto.

After ascertaining full facts of disputes between Indian exporters and Chinese importers, Agmark Department are following strict standards of quality inspection at various levels including surprise checks at the ports. That Department has also taken up disciplinary action against erring officials involved in the last episode. It is also observed after this incident that no claim on quality has been received from any quarter by us. Recent example is a shipment of 5,400 tonnes to Egypt who were apprehensive of the quality. By active intervention of Tobacco Board and Agmark Department jointly, no room was given for any complaint on quality aspect. Recently Egyptian monopoly expressed their happiness about the quality of our tobacco sent in this consignment.”

6.9 While the Committee appreciate attributing reasons for the non-achievement of targets to sudden trade fluctuations in certain foreign markets, they are distressed at the decline in exports primarily on account of tobacco of inferior quality having been exported against earlier orders. In this context the Committee have been informed that whereas one of the statutory functions of the Tobacco Board is regulation of export of virginia tobacco and maintenance and improvement of existing markets and development of new markets outside India for this variety of tobacco, the function of

assuring quality of the tobacco exported through inspection is exercised by the Ministry of Rural Development. The Committee consider this arrangement as rather anomalous and unsatisfactory. They recommend that the functions of quality inspection in respect of virginia tobacco exports should appropriately be transferred to the Tobacco Board so that effective checks could be exercised in this regard and in future there are no complaints on this score from foreign importers.

The Committee also suggest that there should be a provision for taking punitive action against unscrupulous traders who deliberately export sub-quality goods, thereby lowering the image of the country in the international market and affecting adversely our export effort.

#### B. *Export Duty on Tobacco*

6.10 In a memorandum to the Committee, a Tobacco Company Executive has represented:—

“India is the only country imposing export duty on exports of tobacco whereas countries like Korea, Brazil, Canada are subsidising exports through various incentives schemes. The revenue to the Government from export duty is estimated at Rs. 6 to 7 crores, but it is a major irritant to the export customers. Whilst the Government is wanting to increase exports, it is contrary to impose an export tax, which makes the Indian tobaccos less competitive....”

In their Report in 1979, the Expert Group, had also recommended that “the export duty on the manufactured tobacco, has lost its justification for continuance as the purpose for which it was imposed in 1966 is no longer valid.”

6.11 In a written note on the export duty on tobacco, the Ministry of Commerce have stated:—

“The export duty on unmanufactured tobacco was introduced in 1966 consequent on devaluation of Rupee and it has been continuing ever since. Ministry of Commerce reviewed the position subsequently and recommended to Ministry of Finance for abolition of the duty to remove the irritant for the importers abroad. The suggestion was not agreed to on the ground that there is enough margin to cover the duty in the difference between export price and the domestic market price. The export duty on unmanufactured tobacco is 20 per cent *ad valorem* or 75 paise per kg.

whichever is less. Tobacco Board officers had discussions with foreign importers on the question of precise addition to our export that would result from the abolition of export duty. They have unanimously suggested that it will not be possible to give in concrete terms the quantity which can be exported additionally. However, they are of the opinion that since Indian tobacco will be cheaper to the extent of this levy, if it is abolished, it should be possible for them to import more from our country."

**6.12 Export duty on tobacco certainly reduces the competitiveness of Indian tobacco in the international market. The Committee therefore, would like the Ministry of Commerce and the Ministry of Finance to jointly consider the economic advantage of abolition or reduction of duty as against the likely additional inflow of foreign exchange by consequential increase in exports.**

NEW DELHI;

July 22, 1985

Asadha 31, 1907 (S)

CHINTAMANI PANIGRAHI

Chairman

Estimates Committee

## APPENDIX

### Statement of Recommendations/Observations

Sl. No.	Para No.	Recommendations/Observations
1	2	3
1	1.16	<p>The Committee are glad to note that the Government have decided in principle to raise the representation of growers on the Tobacco Board from four to six and that the proposal is before the Ministry of Law, Justice &amp; Company Affairs with a view to bring up legislation to amend the Tobacco Board Act 1975. The Committee hope that the necessary legislation will be brought before Parliament soon.</p> <p>The Committee attach equal importance to the necessity of appointing only <i>bona fide</i> growers as their representatives on the Board and urge the Government to lay down criteria and procedures for their selection/election with a view to ensure not only that growers representation on the Board is not usurped by any extraneous interest but also adequate representation is given to small and medium farmers.</p>
2	1.19	<p>As maximisation of exports of Virginia and other exportable tobacco is the prime objective of the Tobacco Board, the Committee recommend the appointment on the Board of an expert in tobacco economics, with specialisation in international trade in tobacco, in addition to the Agricultural Marketing Adviser.</p>

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- 3      1.23      The Committee are of the view that for keeping an effective liaison with the cigarette manufacturers, who consume a substantial portion of tobacco production in the country, it is necessary that a representative of cigarette manufacturers should be appointed as a regular member of the Tobacco Board. Such a step would also help in making the cigarette industry amenable to the broad policies of Tobacco Board.
- 4      2.8      In view of the variation in climate, nature of soil and cropping seasons affecting the needs and arrangements for supply of inputs to growers in different virginia tobacco growing regions of the country, the Committee recommend the setting up of four Regional Committees of the Board—one each for Andhra Pradesh, Karnataka, and Gujarat and areas contiguous to these States and one for other virginia tobacco growing States—with a view to project and supervise the arrangements for regulation of production and marketing of Virginia tobacco, coordination of research and extension, and supply of necessary inputs to the growers etc. with special reference to the peculiar problems of the respective States/regions.
- 5      2.13      The Committee agree with the Commerce Secretary that there is need for a well-organised technical wing in the Tobacco Board, headed by a competent technical officer having adequate knowledge and experience to be able to provide extension services and technical advice to the farmers. He should have under him adequate number of technical officers. The status and scales of pay of the person heading the technical wing and of those under him should be such as to attract technically qualified and experienced
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men to the posts. The Committee trust that the Ministry/Board will give prompt attention to this matter.

6            2.19            The Committee are glad to note that in order to secure for the farmers of VFC tobacco a better price for their produce, the Ministry/Board has introduced the auction system of sale of tobacco in Karnataka State w.e.f. 1984 marketing season. The Committee, however, regret to note that the system could not be introduced simultaneously in Andhra Pradesh, which is the largest producer of VFC tobacco, and other producer States. The Committee strongly urge that the Ministry/Board should so time the provision of pre-requisite facilities and arrangements as to be able to introduce the auction system of sale of tobacco in Andhra Pradesh and other States at least from 1985 marketing season.

7            2.25            The Committee note that the average hectareage that each field officer is required to attend is 2737 in Andhra Pradesh and 3414 in Karnataka. The representative of the Ministry has admitted that the entire virginia tobacco growing area could not be covered so far. The Committee would like the Board/Ministry to assess annually whether the number of field officers is adequate to effectively cover the area under virginia tobacco cultivation and to adjust the strength suitably in the light of such assessment.

8            2.31            The Committee are surprised to find that important senior level posts in the Board have remained un-filled for as long as 5 years. Whatever be the formalities for selection of a candidate, such delays in filling up the posts cannot be ignored. Unless officers at senior levels are in position to give proper and timely guidance, it is difficult to conceive that the Board could function as efficiently as it should during the period

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		the posts had been kept vacant. The Committee would like the Ministry/Board to make serious efforts in future to fill up the vacancies expeditiously so that the activities of the Board are not hampered.
9	2.35	The Committee hope that estimates of expenditure would be computed by the Board in future more realistically at least at the stage of framing revised estimates, taking into consideration actual expenditure during the preceding 3 years, the cash flow trend observed during the current years and the projected activities of the Board or the concerned officers during the remaining part of the year.
10	2.40	The Committee recommend that with a view to remove overlapping and duplication in the functions of the Tobacco Board, which is under the Ministry of Commerce and the Directorate of Tobacco Development under the Ministry of Agriculture, the two Ministries should go into the functions of both the Organisations and affect transfer of functions from one Organisation to the other as may be necessary. In this context the Committee would emphasise that the entire responsibility in regard to virginia tobacco should legitimately remain with the Tobacco Board.
11	3.7	The Committee are not aware whether, in response to the recommendation of the Working Group on Comprehensive Tobacco Policy (1984) accepted by Government, an expert or consultant has been appointed. They would however emphasise the importance of collecting sufficient and accurate market intelligence—both foreign and domestic—and of orientation of virginia tobacco production policy in the light thereof so as to avoid a situation of glut in supplies quite out of proportion to the overall demand affecting domestic and export prices.

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| 12 | 3.14 | The Committee recommend that to effectively regulate the internal consumption of virginia tobacco by cigarette industry, the cigarette industry should be brought under the purview of the Tobacco Board Act, 1975 and the Act amended suitably for the purpose.  |
| 13 | 3.20 | The Committee are informed that though the Board has authority to prosecute a person who grows virginia tobacco in violation of the law, the Board has made the growing of virginia tobacco by unregistered farmers unattractive by denying to such cultivators the benefit of supply of coal and other inputs at controlled rates which is available to the registered cultivators only. The other method adopted by the Board is registration of barns and the facility of sale of virginia tobacco by Auction being confined to owners of registered barns. The Committee hope that this policy is really discouraging cultivators from planting virginia tobacco surreptitiously without registration. They would however like the Board to also make a random survey from time to time to see whether the policy adopted by them is giving positive results or some other measures including prosecution of law-breakers are called for. |
| 14 | 3.26 | The Committee are perturbed to find that funds earmarked during 1981-82 and 1982-83 for "regulation and development of tobacco" have remained substantially unutilised. Not satisfied with the reasons adduced for non-implementation of technical programmes during these years, the Committee would like the Ministry to accord priority to these programmes which the Committee believe have a direct bearing on development and modernisation of virginia tobacco production, by not only providing adequate funds for the purpose but also availing of these funds according to a well laid out plan.  |
| 15 | 3.35 | It is essential that the virginia tobacco cultivators get inputs like coal, firewood, seeds, potassium sulphate, fertiliser and pesticides of good  |

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quality, in sufficient quantities and on time. It should be the endeavour of Tobacco Board to ensure the availability of these inputs to the cultivators. Since different agencies are responsible for the supply of these inputs to the cultivators, it is for the Tobacco Board to effectively coordinate with the various agencies and, if possible, arrange for a single window delivery of all the inputs. It is also necessary to ensure that the benefit of supply of quality inputs at controlled rates is not misutilised. The Board should therefore devise the system of issuing permits to the registered farmers in respect of each input against which the agencies concerned might release supplies on priority and preferential basis, as has been done for supply of coal to the cultivators.

The Committee appreciate that as a result of the efforts of the Tobacco Board a few banks agreed to offer loans to the farmers of virginia tobacco for 1984 crop season. They hope that the Board would continue its efforts in this direction and agricultural loans would be available to farmers in Karnataka, Andhra Pradesh, Gujarat and other States from a larger number of banks during 1985 crop season and also subsequent seasons.

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4.8

The Committee regret that the Tobacco Board has not given due importance to 'scientific, technological and economic research' on virginia tobacco as is evident from the fact that as against the Budget Estimates for this head for 5 years (1979-84) totalling Rupees two lakhs (which was revised to Rs. 65,000/-), the actual expenditure under the head was mere Rs. 37,737/-. While the Committee agree that there is no need for a separate research organisation being built up within the Tobacco Board, they would emphasise that greater attention should be paid by the

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- Board for promoting and financing research projects in the existing research institutions such as the Central Tobacco Research Institute, Rajahmundry. For this purpose adequate provision should be made in the budget of the Tobacco Board. Specific research projects based on the problems faced by the farmers in containing diseases or increasing production etc. should be farmed out to the research institutions and these should be properly monitored and their progress assessed from time to time at the Board level to ensure that the financial support extended to the research institutions is fruitfully utilised.**
- 17      4.11      The Ministry have stated that the economic feasibility of the solar barn is yet to be established and also that it could be useful in Andhra Pradesh and not in Karnataka. As Andhra Pradesh produces about 80 per cent of the total production of virginia tobacco and the number of big and medium farmers there is sizeable, the Committee feel that research in designing and developing a cheaper solar barn should continue.
- 18      4.15      In view of the fact that the use of JTS Jackets costing only Rs. 600 could reduce the fuel consumption on curing of tobacco by about 30 per cent and the curing time by about 10 per cent, and also the fact that it could be used in all the Virginia tobacco growing regions in the country, the Committee recommend that the Tobacco Board should make special propaganda efforts through the various mass media to popularise the use of these jackets for which a subsidy to the extent of Rs. 200 is also available.
- 19      4.19      The Committee recommend that in the scheme of subsidy, greater benefit should be given to the small farmers.
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4.27

The Committee are disappointed to note that even eight years after the setting up of the Tobacco Board in 1976 only about 10 per cent of the cultivation of virginia tobacco is carried on by modern technical methods and improved practices. The Committee were informed in another context that only about 17 per cent of the cultivators of virginia tobacco are small farmers owning less than five acres of land. It should not be difficult for the remaining 83 per cent comprising big and medium farmers to adopt latest techniques and practices for cultivation and curing of tobacco because the constraints of higher expenditure, as averred by the Ministry, should not normally apply to them. What appears to be lacking is an intensive extension programme to make the farmers aware of the benefits of adopting latest techniques and practices. The Committee therefore recommend that the Tobacco Board should, in coordination with State Departments of Agriculture, intensify extension efforts so as to be able to convince a larger number of virginia tobacco growers of the economic benefits of adopting latest techniques and practices for cultivation and curing of virginia tobacco.

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5.7

Tobacco Leaf Purchase Voucher (TLPV) Scheme was introduced by the Tobacco Board with the backing of the Reserve Bank of India to mitigate the problem of long delays in payments for sale of virginia tobacco to the growers by the traders or consumers. Even when the sales are made under this scheme, cases have come to light when the purchasers have defaulted in making payments. At present the Board has no remedy in such cases except de-registration, or non-registration in future, of the trader/consumer concerned. The Committee are informed that under the auction system of sale of tobacco, the problem is

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likely to disappear as the purchaser under such a system has to give bank guarantee against which payment is made to the grower by the Board itself. The problem would however remain in areas where auction system has not yet been introduced i.e., in Andhra Pradesh and Gujarat, and in cases where the farmer does not sell his tobacco under the auction scheme. The Committee learn that the amendments to the Tobacco Board Act proposed to be brought before Parliament also provide for punishment to be meted out to violators of the regulations laying down the TLPV Scheme. The Committee hope that the amending legislation would be brought before Parliament at the earliest to enable the Board to prosecute purchasers of virginia tobacco under the TLPV Scheme who default in making payments to the growers within a specified time.

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5.14

Innocent small farmers who, under the lure of fancy prices for their tobacco, give their produce to unregistered purchasers on credit basis and thereby get duped, have at present no one to look to for assistance. For instance, three companies along owe more than Rs. one crore to such farmers. The Committee feel that the Tobacco Board should be able to intervene in such cases also and secure justice to the farmers by prosecution of the purchaser in a Court of Law. Mere deregistration of companies indulging in such nefarious activities is not enough as it helps the cheated farmer in no way. If the Board has no such power at present, the Committee would like such power to be made available to the Board through an amendment to the relevant Act.

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5.19

The Committee are inclined to agree with the recommendations of the Working Group (1984) that the Tobacco Board itself should be made a stabilising agency in so far as domestic and export prices of virginia and other exportable

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varieties of tobacco are concerned, and recommend that in the event of excess production of virginia tobacco in future, the Tobacco Board itself, instead of the State Trading Corporation, should enter the market and mop up the excess so that reasonable prices are assured to the cultivators.

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5.25

Proper grading of tobacco at the farm level is important and necessary to enable the farmers to secure remunerative prices for the various types of tobacco grown by them. The role of the field staff of the Tobacco Board in educating the farmers in proper grading of their tobacco therefore assumes considerable importance. The Committee would like this activity of the Board to be stepped up.

5.26

The Committee would again emphasise that budget estimates initially, and later on the revised estimates should be framed realistically in the light of targets set and progress of achievement so that the scope of variations between estimates and actual expenditure is the minimum. As it is these variations are very wide under the head "Improvement and Maintenance of Marketing Facilities" which the Committee deprecate.

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6.9

While the Committee appreciate attributing reasons for the non-achievement of targets to sudden trade fluctuations in certain foreign markets, they are distressed at the decline in exports primarily on account of tobacco of inferior quality having been exported against earlier orders. In this context the Committee have been informed that whereas one of the statutory functions of the Tobacco Board is regulation of export of virginia tobacco and maintenance and improvement of existing markets and development of new markets outside India for this variety of tobacco, the functions of assuring quality of the tobacco exported through inspection is exercised by the Ministry of Rural Development. The Committee consider this arrangement as rather anomalous and unsatisfactory. They recommend that the

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functions of quality inspection in respect of virginia tobacco exports should appropriately be transferred to the Tobacco Board so that effective checks could be exercised in this regard and in future there are no complaints on this score from foreign importers.

The Committee also suggest that there should be a provision for taking punitive action against unscrupulous traders who deliberately export sub-quality goods, thereby lowering the image of the country in the international market and affecting adversely our export effort.

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6.12

Export duty on tobacco certainly reduces the competitiveness of Indian tobacco in the international market. The Committee, therefore, would like the Ministry of Commerce and the Ministry of Finance to jointly consider the economic advantage of abolition or reduction of duty as against the likely additional inflow of foreign exchange by consequential increase in exports.

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