

Fourteenth Lok Sabha

Session : 7

Date : 15-05-2006

Participants : Dikshit Shri Sandeep, Ramesh Shri Jairam, Pandey Dr. Laxminarayan, Deo Shri Bikram Keshari, Radhakrishnan Shri Varkala, Ramesh Shri Jairam, Mahtab Shri Bhartruhari

>

Title : Discussion on the motion for consideration of the Cess Laws (Repealing and Amending) Bill, 2005 (Bill passed).

MR. CHAIRMAN : Now, we take up item no. 18 – Cess Laws (Repealing and Amending) Bill, 2005.

THE MINISTER OF STATE IN THE DEPARTMENT OF COMMERCE, MINISTRY OF COMMERCE AND INDUSTRY (SHRI JAIRAM RAMESH): Sir, on behalf of my senior colleague, Shri Kamal Nath, I beg to move:

**

“That the Bill to repeal certain enactments and to amend certain other enactments relating to levy of cess on certain items, be taken into consideration. ”

MR. CHAIRMAN: Now, Shri Bikram Keshari Deo.

SHRI BIKRAM KESHARI DEO (KALAHANDI): Mr. Chairman, Sir, at the outset there is no question of opposing this Bill because this Bill's objective, as it is seen, is to give some concessions to the export of agricultural produce. ... (*Interruptions*)

SHRI JAIRAM RAMESH : The hon. Member may yield. Sir, I have not even made an opening statement. I think, the Member has jumped above me. ... (*Interruptions*)

SHRI BIKRAM KESHARI DEO : The Chair has called my name. ... (*Interruptions*)

SHRI JAIRAM RAMESH: Mr. Chairman, Sir, if you permit me, I will make my opening statement.

Sir, I know these questions are uppermost in the minds of the hon. Members. Sir, if you give me permission, I will make a brief opening statement.

* Published in the Gazettee of India, Extraordinary, Part-II, Section-2, dt. 15.5.2006

** Moved with the Recommendation of the President.

SHRI BIKRAM KESHARI DEO : Sir, shall I sit down?

MR. CHAIRMAN: Yes. You please take your seat. Now, the hon. Minister.

SHRI JAIRAM RAMESH : I have never seen anybody so quick at 5 p.m. at the end of a long day.

Sir, I thank you for allowing me to make this opening statement on this important Bill. I wish there were more Members present when this Bill was being considered and passed although I must say that the Orissa contingent is in full strength, the Kalinga contingent is in full strength. I wish to congratulate the Members from Orissa for having stayed till five o' clock to have this Bill considered and passed.

Sir, the starting point of this Bill is the Common Minimum Programme, which has a very elaborate section on the Government's agenda on agriculture. One of the pledges made in the Common Minimum Programme, and I wish to quote from the Common Minimum Programme is this. It says: "Controls that depress the incomes of farmers will be systematically removed." It is our contention that a cess which is basically in the nature of a tax on exports does depress the control of farmers and, therefore, this initiative was taken almost a year ago in August 2005. It was then sent to the Standing Committee. It was considered in the Standing Committee and now we have this Bill.

Sir, earlier during the day we were supposed to consider or at least the introduction of two other Bills to be repealed which also impose cesses on the export of agricultural products but due to the Adjournment Motion today we could not take it up. So, what we are doing this afternoon is only dealing with a limited portion of this problem of controls which depress the incomes of farmers. We are actually only repealing cesses which are imposed by five pieces of legislation. We are going to remove the cesses on the export of agricultural and processed food which is levied under the APEDA Cess Act of 1985. We are going to remove the cesses on export of tobacco levied under the Tobacco Cess Act of 1975. We will be eliminating the cesses on the export of spices which are levied under the Species Cess Act of 1986.

We are going to remove the cesses on the export of marine products which are levied under the Marine Products Export Development Authority Act of 1972. We are going to be formally eliminating the cesses on the export of coffee which are levied under the Coffee Act of 1942.

Sir, my senior colleague, Shri Sharad Pawar was supposed to introduce two other Bills which impose cesses under the Agricultural Produce Act of 1940 which is still on the statute book, and the Produce Cess Act of 1966. I suppose those two Bills will be introduced tomorrow and they will go to the Standing Committee. But these five cesses are the subject matters of legislation which we are discussing today.

It is my request that at the end of today we pass this legislation which will remove the cesses on the exports of (1) agricultural and processed foods, (2) tobacco, (3) spices, (4) coffee and (5) marine products. Sir, the importance of this Bill lies in the following and I want to address the question that had been raised by my hon. colleague much earlier before he was cut short.

The agricultural exports today constitute about 10 per cent of our total export basket. About 10 per cent of India's total exports are accounted for by export of agricultural and marine products. Now, 10 per cent is not a very large number. In fact, it has been coming down. Over the last 10 years, the share of agricultural and marine products in the total exports of the country has come down from something like 15 per cent to about 10 per cent. So, it is not that the dollar that agricultural exports bring that is important but employment that they generate is more important.

For example, we take coffee. We export about 80 per cent of our coffee production. About a half million people are involved in the production of coffee in our country, the bulk of which is exported. About four million people are employed in the marine products industry. About two-and-a-half to three million people are involved in the cultivation of spices which go into export. Similarly, in the tobacco industry—Mr. Rao comes from the centre of the tobacco heartland—we have about three million people directly involved in the cultivation of tobacco and about 30 per cent of our tobacco production is exported.

So, I would urge the hon. Members not to look at the contribution of exports of agricultural and marine products from the dollars that they bring in but from the jobs that they generate. As a proportion of the total exports, as I said, they do not constitute more than 10 per cent of the export basket. It is not my contention today

that by removing all the cesses, this 10 per cent is going to become 20 per cent or 25 per cent. That is going to take a long time. But I think the most critical element of agricultural and marine products export is that almost eight to nine million families are dependent for their employment, for their economic livelihood, on the exports of these agricultural and marine products. It is because of the employment angle that agricultural and marine products export assume such an importance.

Secondly, from the cess that is being levied, the amount that we are collecting is not very large. For example, we collect only about Rs. 3 crore or thereabout from the tobacco cess. We collect about Rs. 7 crore to Rs. 8 crore from the spices cess. We collect about Rs. 22 crore to Rs. 23 crore from the marine products cess. We collect about Rs. 55 crore to Rs. 56 crore from the cess on APEDA, on the agricultural products other than basmati rice and wheat. So, the total amount of cess that we collect is in the region of about Rs.120 crore.

Now, if you take the total agricultural exports, the total agricultural exports last year was about Rs. 37,000 crore. Out of that, the cess amount is only about Rs. 120 crore or Rs. 130 crore. That does not come to the agricultural sector or to the export sector but it goes into the giant machine or a black hole called, 'the Consolidated Fund' of the Government of India.

So, if you look at it as an incidence of export value, it is between 0.3 and about 0.8 per cent. So, the cess amount that we are collecting is not very large. So, by removing the cess, the finances of the Government of India are not going to be disturbed in any manner.

It is a very small cess. The cess is a major irritant because the manner in which the cess is levied is that it is levied as a duty of customs. Therefore, all the delays associated with the formalities of documentation, procedural formalities of going through exports etc. add additional cost on the exporter. For example, a tobacco exporter from Guntur has to go to Chennai to do all the procedural formalities, which could take anywhere between two to three weeks, and this adds a cost to our exports. At a time when the Indian agriculture is facing severe competition, not just in Indian markets but also in world markets, any step that we take to reduce the cost of supply of Indian products would make Indian agricultural products that much more competitive. In the last few years we have seen how, with the emergence of countries like Vietnam for example, Indian pepper, Indian tea and Indian coffee have come under severe competition. So, if we are able to depress the margins, it is our contention that the market share of Indian agricultural products will improve.

Now, with this Bill we are going to remove a cess which is making Indian agricultural products more expensive by 0.3 per cent to about 0.8 per cent. So, it is definitely going to make Indian agriculture and Indian marine products that much more competitive. It does not make much economic sense to export a tax and a cess is basically a tax. Therefore, the Government has come forward to enable the Indian exporters of agricultural products to become more competitive in the world market.

Sir, what the WTO does and what other countries do to reduce their subsidies on agricultural products which are competing with Indian products is a separate issue altogether which we can discuss. But through this Bill, we are removing a very major disadvantage that we have put the Indian exporters of agricultural products to in the last few years for a variety of reasons. It is my hope that this legislation is passed unanimously. I am sure it enjoys wide support because it is a very major step forward in ensuring the economic prosperity and livelihood of millions of families who depend on these exports for their future.

Sir, with these few words, I conclude.

MR. CHAIRMAN : Motion moved:

“That the Bill to repeal certain enactments and to amend certain other enactments relating to levy of cess on certain items, be taken into consideration.”

SHRI BIKRAM KESHARI DEO (KALAHANDI): Mr. Chairman, Sir thank you once again. There is no question of opposing this Bill as the hon. Minister, who is a very good and renowned economist of the country, has articulated very well and has told us about the Statement of Objects and Reasons of the Bill. But here I have got my doubt. My doubt is regarding the WTO question. Will the cess benefit, which the agricultural exporters get by repealing this Bill, be comparable to the subsidies given by the WTO countries and developed countries? Now, 70 per cent of our population depends on agriculture. This Bill guides the Agricultural and Processed Food Products, Export Cess, Tobacco Cess, Spices Cess and Marine Products Export Development Authority Act and the Coffee Act. So, basically these organisations are controlled by the Boards and they are involved in export of these particular goods.

17.14 hrs.

(Shri Giridhar Gamang *in the Chair*)

Sir, the hon. Minister rightly pointed out and gave us how much money we get from the exports and definitely this cess, which was a burden and the procedural delay which is to take place for getting a cess for exporting your produce, will definitely help the growers. But, at the same time, my doubt is this. Can we compare ourselves with Brazilian coffee and can we compare ourselves with the other Marine Products which have been exported from Thailand? The main thing is that Rs. 40,000 crore of agricultural produce goes down the drain because there is no proper packing industry in the country for food processing.

Now, you have announced the Horticulture Mission. So, unless you have a strong food processing network in the country, you will not be able to get that much of money from the exports.

Eventually, the farmer suffers because it is produced by the farmer and then it is exported. Eventually, the farmer of the country suffers.

Along with this Bill, the Government must come forward with a serious enactment for increasing food processing and opening the doors for foreign investors also in food processing, mainly in marine products along the coastline of India where millions of fishermen live on this produce. There is no question of opposing this Bill. But, at the same time, we must show concern to these plantation crops mainly like coffee and tea. There is no mention of tea here. I do not know why.

SHRI JAIRAM RAMESH : There is no cess on tea.

SHRI BIKRAM KESHARI DEO : Thank you. Therefore, I support this Bill. I hope that the benefits accruing from the exports should be reinvested in other backward areas of the country like for coffee plantation. There are non-traditional areas for coffee like Andhra Pradesh, Orissa, North-East etc. where coffee should be developed. By the virtue of this Bill, I would like to make a request to the hon. Minister through you that in Koraput, Kalahandi constituencies, in the KBK area, coffee has been thriving and coffee programming is also going on just across the Araku Valley. We want a Deputy Director posted there. I have written to you also; but that work has not been done.

As you know, agriculture in our country contributes only two per cent of the GDP. How much benefit will our farmers get if this cess or export tax is done away with? I remember that during our Government, last time, a few shiploads of Basmati rice were sent to Europe and they were not accepted by the European Union and they

were dumped completely; they were rejected. Instead, the same European Union purchased rice from America known as Texmati. This type of big brother attitude by the developed countries to under-developed countries and Third World countries should be stopped. The Government should always fight for it.

Till now, in the WTO papers, the Agreement on Agriculture is still blank. In the Doha Summit you could not achieve anything. In the Cancun Summit you could not achieve anything. Today, big players like Monsanto dealing in Bt cotton etc. are coming. Generic seeds are coming. Eventually, we will be completely slaves of these developed countries unless we do not take stringent steps to protect ourselves.

With these few words I support this Bill initiated by the hon. Minister. I hope my State, Orissa benefits from it the most because we have got the longest coastline in the country. I hope my State, Orissa benefits the most because it has got the longest coastline. We have an organised fishing industry. But we do not have an organised packing industry and food processing industry. We have got large stretches of land for Horticulture Mission. But we still do not have the processing units. I stress upon the Government to put up more processing units in my State.

SHRI SANDEEP DIKSHIT (EAST DELHI): Thank you, Mr. Chairman. I specially thank you for giving me an opportunity twice in the same day to speak in this august House.

I stand to support the Repeal Act that the hon. Minister has brought in. He very eloquently, in his introductory speech, stated the reasons and the logic in this Act in which the Government is planning to repeal the APEDA Cess Act and the Spices Cess Act completely and bring in amendments to cut out the Sections relating to cess in the Coffee Act, the MPEDA Act and the Tobacco Cess Act. Furthermore, the other Acts that also impinge on any form of cess on exports of agriculture, which, of course, are not pertaining to the Ministry of Commerce, would also be subsequently brought into this august House, maybe tomorrow or day after.

Sir, the action on repealing of these Acts is needed. I do not think that there is any logic any more for these Acts remaining and as soon as possible, the cess needs to be brought out and taken away. As the Minister said, it is not just the matter of Rs. 120 crore which come into the Consolidated Fund of India and it is not just a matter of whether it will actually lead to increase in some form of export by agriculture or increase in the share of agriculture in total export of India. A cess reduction of Rs. 120 crore, a reduction or removal of the vast amounts of paper work, an interface with Government's machinery that all incidents of cess normally involve would reduce time taken and time consumed by entrepreneurs in this field from non-productive enterprise. They would get a relief of about Rs. 120 crore directly in their exports which in one sense will make them somewhat more price competitive in the international arena and on the other hand, they would be able to reinvest or invest these Rs. 120 crore in whatever field they may feel like.

In terms of agriculture, it is quite clear that for the last 15 years or so, there has been constant talk and direct evidence from across India regarding crisis in agriculture. In agriculture, including those in plantations, whether it is coffee or tea, in agricultural allied activities, whether it is animal husbandry or in fisheries, there has been a squeeze in the amount of profit or in the amount of income that the farmers are getting and the amounts of incomes than the profits that the people, who are in food processing industry and involved with them, are taking. The margins of farmers have been constantly coming under pressure.

In many senses, of course, a large number of studies in the agriculture and evidence from the field shows that the Indian agriculturist, the Indian farmer is actually subsidising this country by his labour. If he actually takes the amount of labour a person may put in at the minimum wages, a farmer is not able to get even that much from his produce. In that sense, 70 per cent of Indians, who are working in the Indian agriculture, just do not give us our

daily bread, our food, our fruits, our fish, our milk but also subsidise us to sustain ourselves in this country. I think, even little amounts of effort to reduce their distress, to give them some little benefit is greatly welcome. The Minister mentioned that directly or indirectly, it would lead in some sense to ease the pressure on the livelihood of about 30 million workers. He spoke of that, but I would like to add one point here that very often when certain economies, when certain businesses are in stress, little let offs, little margins can actually start making great benefits. Sometimes, just a little benefit of about Rs. 100 crore, reduction of some transaction cost, reduction of transaction issues, some increase in exports would actually start taking off pressures on the margin of many of these commodities. I think, in that sense, the removal of cesses on many of these products would very directly add to increase in incomes in these sectors.

Sir, I would also like to urge upon the Government at this moment that all other Acts, all other such cesses, all other such restrictions, whether on agriculture or on agriculture allied commodities or on fisheries, should also be looked at very seriously. In the last 15 to 20 years, we have been hearing that a large number of committees, a large number of studies, a large number of assessments have been done and a slew of legislations have now been termed either as too old or totally unnecessary or some as extremely restrictive of our economy. Actually, irrespective of whether it was intended or not, in some senses, about ten years ago, some of these laws may have been important, but there were other reasons why such laws were brought in. Most of the laws governing production or export or movement of agriculture and allied commodities are actually now being found to be highly restrictive and have actually led to pauperisation of the farmers or crisis in agriculture. I think, the Government must take up almost all these Acts as urgently as possible. I know that there is a slow speed in which the Government mostly looks at repealing most of these Acts, but a number of Acts are very old. As the Minister himself mentioned, one of the Acts that he is now repealing came way back in 1940.

I think that is the period maybe of 15 to 20 years and subsequent to that a number of Acts were similarly brought in, and most of them still remain on the statute book. Those could also simultaneously be brought in as soon as and with as much speed as possible. Some of them pertain to the domain of the Minister himself, and many of the others would come under the domain of agriculture or some of the other industries linked with agricultural produce or produce of the allied industries.

I do not think much really needs to be said about this Bill. I do congratulate the Minister for bringing in this Bill within two years of the formation of the UPA Government. It is another very very clear example of our commitment to the Common Minimum Programme. The speed and sincerity with which our Ministers, and our Government -- under the leadership of Dr. Manmohan Singh -- have actually been following the various tenets of the Common Minimum Programme and bringing them either by way of legislation or by way of programmes right across the country is very good.

Sir, I thank you for giving me this opportunity, and I support this Bill.

SHRI VARKALA RADHAKRISHNAN (CHIRAYINKIL): Sir, I support the Bill. It is a belated legislation. Why do I say so? In the Statement of Objects and Reasons, the Central Government came to the conclusion that taxes and duties need not be exported, and that finding was done only in July 2005.

We were agitating for a long time that agriculture should not be taxed; the farmers should not be taxed; and their products should not be taxed, but the Central Government was taxing them all along. We are in the global market, and the developed countries are giving subsidies to the farmers to a large extent. So, they control the global market.

Now, after signing the World Trade Agreement, the Indian farmers are at a disadvantage. I would give one or two examples to explain my point. Kerala is producing more than 90 per cent of natural rubber. Natural rubber is purely an agricultural produce, but when the World Trade Agreement was signed, it was taken as an industrial product, which was detrimental to the rubber growers in India. From the moment of signing the World Trade Agreement all subsidies -- which were given to the farmers, especially, the rubber growers -- were stopped forthwith as per the terms of the agreement because natural rubber became an industrial product.

Secondly, we know that *Copra* or dried coconut is nothing but an agriculture product. But unfortunately, when our country entered or signed the agreement, *Copra* was included in the industrial product list. Can a sensible man do this? In the World Trade Agreement, the Indians who negotiated for the agreement have put in their signature and have put *Copra* as an industrial product whereby the coconut growers of Kerala did not get any subsidy from that date onwards. Primarily it is an agriculture product. What was its effect in the global market? *Copra* or coconut oil was imported into India from Philippines and Sri Lanka, which was detrimental to the interest of the growers in Kerala. In the case of rubber farmers also, rubber was imported in Kerala as per the terms of the agreement, which was detrimental to the interest of the rubber growers in India.

The Government was all along exporting taxes along with the agricultural products. At last, they have come to the conclusion that taxes and duties need not be exported. This is all right, and good, but it is not enough. We will have to alter the terms in the World Trade Agreement.

Copra, dried coconut, is primarily an agricultural product but it is included in the list of industrial products. That must be taken off that list and put back in the list of agricultural products. Similarly, natural rubber is an agricultural product which has wrongly been included in the list of industrial products to the detriment of the interests of rubber-growers in India.

Australia is a developed country and yet they are giving subsidy to their farmers. However, the coconut-growers of India do not get any subsidy. Even soyabean farmers in America get subsidy but the poor rubber-growers in India do not get any subsidy. This is the hard reality that is facing us. It is high time that Government of India took initiative to ensure that there is some alteration in the listing of agricultural and industrial products as per the World Trade Agreement. It is a very important matter affecting lakhs of farmers in the country.

Taxes are levied on spices like pepper, cardamom, etc. Customs duty, sales tax, and all such taxes are levied on these items. What is the purpose of levying these taxes? The purpose is to export them to other countries. This is the very hard reality. At last the Government came to the conclusion that taxes need not be exported. It is a good development. The brain of the Government has been working all along but they were still under the impression that taxes and customs duty will have to be exported. At last the Government has realised that these taxes need not be exported and they have taken this measure. However, this is not enough. Something more will have to be done. So, when we meet in the World Trade Organisation we should see that these wrongly included items should be put in the correct lists that are available.

Sri Lanka and Philippines are able to give high subsidies to their farmers to make them competitive in the international markets. At the same time, the poor farmers of India are committing suicides every now and then. Farmers in India have committed suicides in thousands due to the debt trap in which they find themselves. Because of the wrong policy of exporting to other countries, they were not able to survive. The Government has all along been following this policy. But, what was the result? The result was suicides of farmers throughout the country. About six hundred farmers committed suicides in Kerala. Hundreds and thousands of farmers committed suicides in the country, including the States of Tamil Nadu, Andhra Pradesh and Maharashtra, because they could not repay

the loans taken from banks and societies Due to reasons beyond their control, they could not even pay interest on the loan taken.

Natural calamities like tsunami, floods, drought, etc., are taking place in the country periodically. But the Government was all along turning a blind eye to all these realities. They were still taxing these poor people and their products with customs duty and tariff regulations and the poor farmers have been committing suicides. This is a very deplorable condition obtaining in India. At least some relief will be given to the farmers after passage of this Bill. However, that is not enough. There are other strong measures required. The Government must write off all the loans, write off all recovery proceedings and save the farmers. Farmers are in debt not because of any lapses on their part but because of natural calamities. So, I would request the Government to take this as just the beginning in the process of correcting its policies. The Government must take this as a beginning and see that other measures follow. We have another Bill introduced today.

The Produce Cess Laws (Abolition) Bill, which has been introduced today has also the same policy. At last, the Government came to the conclusion with eyes wide open that farmers committing suicide has become the order of the day. They came to the rescue of the farmers in a same way but not in a satisfactory way. This Bill also is a similar Bill which we will discuss later on.

With these observations, I support the Bill. But the Government should take it as a serious matter and issue and save the farmers from starvation by bringing other laws also. The Government should give them relief from debt trap by writing off of the loans, about which I have already mentioned. I am not going to repeat it. I conclude with the hope that the Government will come up with other measures, I fully support the Bill.

SHRI B. MAHTAB (CUTTACK): Thank you, Mr. Chairman, Sir. At the outset, I should say that export of produce from this country has been not much of great concern for the policy-makers and for the people at large of this country. Especially when we are reminded of 1940, we are also reminded of the Second World War; we are also reminded of the purge that was taking place in Europe. Most of the colonised countries which were giving succour to the European countries were at loss and we also remember the Great Famine of Bengal during that period. The mindset in the last 65 years was that, firstly, we have to protect our domestic market.

First, we have to look into the interests of our citizens. If something is left, then only, we can export those commodities to the outside world. That was the mindset for the last 60 or 65 years. But since a new idea has come up in 1991; the World Trade Organisation has come into existence, and the globalisation has become the fashion of the day, transport of commodities from one part of the world to another has become a very essential part of our livelihood, and also that of our commerce. That is the main reason why the Government perhaps is thinking and has brought this Bill for consideration of this House. There are, as the hon. Minister has stated in his opening remarks, certain logic behind it. But, at the same time, I would like to draw the attention of this House and also of the Minister - if he can educate us in this respect - as there are at least seven Acts, as he mentioned. Out of which, the first two Acts are governed by the Agriculture Ministry and the rest five Acts are governed by the Commerce Ministry. Export of several agricultural produce is subject to levy of cess.

In recent years, international trade in agricultural product has become extremely challenging. It is very rightly so for India. Especially, he has also mentioned about certain countries, namely Indo- China which were not producing those products earlier. Even in the African continent, certain countries have come up with those products which they did not produce that much to compete in the international markets. But this thing has come

up, and India is competing with those countries. These are the compulsions which are before the Government and before those exporters.

1 Many developed countries provide huge subsidies to support their domestic agriculture; and these subsidies enable these developed countries to establish and corner large shares in the global markets.

A cess on the Indian export is a genuine handicap to our exporters. But to my mind, this was done very deliberately. It was intentional that the cess was to collect the revenue from the products that are being exported.

Mr. Minister, you have rightly said that the cess is levied as a duty of customs. Now, by withdrawing cess on certain export products, the exporters will no longer have to go through the rigours of all customs procedures before the commodity can be physically shipped out of this country. By doing away with the cess, most exporters can cut down their transaction costs, delays and compliance with the procedural formalities. Here, the amount is not that important. What is important here is this. Do you encourage the export of all produces and want to give a free hand to the exporters? Is this the policy of the Government?

At the same time, I would like to submit that as we facilitate our products to be exported, the same products are also being imported at cheaper rates and they are flooding our market. Just an hour ago, we heard about the MCA-21 networking the whole country through e-governance. We have also heard the hon. Minister saying that from Guntur one has to travel to Chennai, it takes, at least three to four weeks to get his export things cleared. Have we ever considered to have the e-governance system so that we can facilitate our export work?

17.42 hrs.

(Shri Varkala Radhakrishnan *in the Chair*)

Have we considered this aspect that when a product which is being produced --if not in Andhra Pradesh -- say in Himachal Pradesh, and those things have to be exported from Delhi, then what connectivity have we provided to them? About the product that is being produced from Marathwada, from Vidarbha, how is it connected with Vizag or Mumbai? Have we done that? No, we have not done that. But we have taken recourse to only one aspect to provide some facility to the exporters. Though the amount is not much, yet drop and drop of water make the ocean. And, 0.3 per cent, which is Rs. 65 crore comes from MPEDA as cess. It is all right, you may not collect that money. But that was never invested, say in infrastructure. We may discuss it tomorrow about the agriculture aspect. But I remember that specially in the 1960, in the Second or Third Plan, the money that was collected from the export of agriculture produce was supposed to be invested in the ICAR. Similarly, about the money that is being collected from APEDA and from MPEDA, I do not know how much money has been invested. The hon. Minister may tell us as to how much money has been spent for the development of infrastructure, say, for example, the coastline which was being referred to by Mr.B.K. Deo. How much money has been provided there to create a new jetty, to provide the refrigeration system, and to provide the cold storage system? I think, not much has been done in that respect. I want to know whether it is going to be done.

I would rather say that you may selectively impose cess because at times, you need to discourage export of certain products; at times – we are all aware – the cess levied under all the Acts is an export tax.

Sir, I will come to what you said when you were here in the Bench and before you went up to take the Chair. Most of the cess which is being imposed or are being imposed – which is now being withdrawn – is on cash crops. It may be copra or rubber or spices or coffee or even the marine products and the persons are not humble farmers or general farmers. All of them are quite rich farmers and what is being done today is for the rich farmers. But yet the manner in which it is portrayed, that is, it is for the agricultural farmers, is not truly right in a sense and

they are better off farmers and they are for cash crops. Then the basic question is when everything is being taxed, why not a tax be imposed on this?

I agree that you cannot – when the Budget is placed by the Finance Minister – play with cess because once it is imposed, it is imposed; and you cannot waive the cess in the budgetary declarations. But should we say that in future, you are going to impose or the Government is going to impose certain tax on these products so that certain benefits can also be provided to those people in those areas where these things are being produced?

I will conclude by saying this. A number of items had been mentioned. I am not perturbed if coffee is exported; I am not perturbed if marine products are being exported; I am not concerned if copra or spices are being exported; but I am concerned when milk products are being exported in large quantities and yet we impose no cess on this item. We are importing, despite large cattle population in this country and despite the fact that we have a large production of milk and milk products in our country. Yet our children need more milk and milk products.

This is my earnest request to the Government – let us discourage export of milk products because once we allow that, floodgates will be opened and the victims will be poor children, the children of poor households, who are at least today getting milk at a cost of Rs.4 in a far off village.

With these words, I would say that the manner in which it is being portrayed, that this is for the farmers, it is not correct actually. But it is only basically to compete in the international market. But my apprehension here is whom are we catering to? It is not for *aam aadmi*.

डॉ. लक्ष्मीनारायण पाण्डेय (मंदसौर) : सभापति महोदय, प्रस्तुत विधेयक को मुख्यतः तीन बिन्दुओं के आधार पर देखा जाना चाहिए - भारतीय अर्थ-व्यवस्था, उसके साथ हमारे निर्यातक और निर्यातकों की कठिनाइयां और साथ ही साथ हमारे जो विभिन्न उत्पाद हैं, उन उत्पादों का निर्यात हम कैसे बढ़ा सकेंगे? यह सही है कि वैश्विक व्यापार संगठन के साथ हम खड़े हैं और इस दृष्टि से उनके साथ हमारी प्रतिस्पर्धा है। उसे एक चुनौती के रूप में हमने स्वीकार किया है और इस दृष्टि से विधेयक का देखा जाना आवश्यक है [cè\[R5\]](#)।

मैं समझता हूँ कि इन नज़रों से जब हम इस विधेयक को देखेंगे तो कई मायनों में यह उन बातों को पूरा करता है। विश्व व्यापार की दृष्टि से छोटे देश होते हुए भी अपने निर्यात को भारत के निर्यात से ज्यादा कर पाए हैं और इस दृष्टि से कर पाए हैं कि उनके सामने विभिन्न कानूनी प्रावधान हैं। उनकी कठिनाइयां भी कम हैं। जैसा इस विधेयक में स्पष्ट किया गया है --

“Since the cess is levied as a duty of customs, the exporter is required to go through the rigours of all customs procedures before the commodity can be physically shipped out of the country ”

मा. मंत्रीजी ने खुद बिल में स्वीकार किया है कि शिपमेंट करने के पहले कितनी कठिनाइयों का सामना करना पड़ता है, कस्टम्स विभाग के कितने चक्कर लगाने पड़ते हैं, निर्यात के लिए कितनी जगह क्लियरेंस लेनी पड़ती हैं और उसमें कितनी कठिनाइयां आती हैं। उस दृष्टि से सैस को हटाने से यह कठिनाई दूर हो सकेगी क्योंकि इसका सीधा संबंध कस्टम्स से है और उस दृष्टि से हमारे निर्यात को भी लाभ मिल सकेगा।

दूसरी बात विधेयक में कही गई है कि --

“In recent years, international trade in agricultural products has become extremely challenging for India with the emergence of competitors. ”

जो हमारे प्रतिस्पर्द्धी हैं, उनके कारण भारत का व्यापार बड़ा प्रतिस्पर्द्धात्मक हो गया है। उस दृष्टि से भी हम खड़े रह सकें, इस दृष्टि से इस पर विचार करना आवश्यक था। जो तीन-चार प्रोडक्ट्स हैं - एग्रीकल्चर और प्रोसेस्ड फूड प्रोडक्ट्स एक्सपोर्ट सैस, दूसरा टोबैको सैस, तीसरा स्पाइसेज़ और चौथा मैरीन - इनमें लाखों लोग लगे हुए हैं, उनकी आजीविका इससे जुड़ी हुई है। इस कारण लाखों परिवारों को भी इससे लाभ मिलेगा विशोकर

फूड प्रोसेसिंग, कॉफी और समुद्री उत्पाद के क्षेत्र में। मेरा ऐसा मानना है कि जहां हम इन सैस को वापस ले रहे हैं, उसके साथ साथ कुछ और बातों पर भी विचार किया जाना आवश्यक है ताकि हम अपने व्यापार को आगे बढ़ा सकें और निर्यातकों की कठिनाइयों को दूर कर सकें।

यह सही है कि बड़े बड़े विकसित देश जो निर्यात कर रहे हैं, वे हमें सब्सिडी घटाने और बंद करने की सलाह दे रहे हैं लेकिन अपने देश में उत्पादकों को सब्सिडी देकर वे प्रतिस्पर्धा खड़ी कर रहे हैं। समग्र दृष्टि से और भारतीय अर्थव्यवस्था की दृष्टि से इस विधेयक को देखा जाना आवश्यक है। यह सामयिक आवश्यकता है। मैं माननीय मंत्री जी को धन्यवाद देना चाहूंगा कि समय के अनुसार इस बिल को लाकर निर्यातकों के सामने जो कठिनाइयां खड़ी हुई हैं, उनको आर्थिक दृष्टि से भी दूर करने का प्रयास किया गया है। दूसरा निवेदन मैं यह करना चाहता हूँ कि हमारे यहां निर्यातकों को चेतावनी दी जानी चाहिए कि जो बहुत सी वस्तुओं का निर्यात होता है, उनकी पैकेजिंग भी अच्छी होनी चाहिए और वस्तु की गुणवत्ता भी हो।।

पिछले दिनों मुझे लंदन के एक डिपार्टमेंटल स्टोर में जाने का मौका मिला। वहां मैंने भारत में बनी वस्तुओं और दूसरे देशों में बनी वस्तुओं की पैकिंग देखी। मुझे देखकर हैरानी हुई कि हमारी पैकिंग उनसे अच्छी नहीं थी। उसमें और गुणवत्ता लाई जानी चाहिए। इससे हमारे निर्यात में बढ़ोतरी होगी, हम कंपीट कर सकेंगे तथा जो मार्केट हमने कैप्चर कर रखा है, वह अपने हाथ में रख सकेंगे, अन्यथा हमारे हाथों से जो मार्केट निकलते जा रहे हैं, वे और निकलते जाएंगे और प्रतिस्पर्धी देश हमसे आगे निकल जाएंगे। कृपया इन बातों को आप ध्यान में रखें। समय का ध्यान रखते हुए मैं अपनी बात समाप्त करता हूँ।

SHRI JAIRAM RAMESH : Thank you, Mr. Chairman, Sir. We had five speakers and I would respond to four of them since the fifth speaker is now occupying the Chair. I do not know whether I should respond to the Chair's observations or not.

The opening speaker, Shri B.K. Singh Deo made a large number of comments which have to deal with the position of Indian agriculture in the world markets, role of the World Trade Organisation and the agreements on agriculture. I do not think this evening is the occasion for dealing with many of the issues that he has raised because there will be other occasions to debate a large number of issues that he has raised which relate to the broader Agriculture Policy of this Government and the programmes for the development of agriculture. Nevertheless, since he has taken the trouble of raising some of these questions I do want to respond in brief some of the issues that he has raised.

He has talked about the National Horticulture Mission. I want to tell him that in 2004-05, the first year of the National Horticulture Mission, the total expenditure was about Rs.650 crore[R6].

In 2006-07, the total budgetary allocation for the National Horticulture Mission is about Rs.1000 crore. I think, Orissa's share would be roughly about Rs.25 crore or Rs.30 crore. I do not have the exact number but if my memory serves my right, it is about Rs.25 crore to Rs.30 crore. The National Horticulture Mission is a very major initiative of this Government to add value to agriculture and to provide new opportunities for Indian farmers both in domestic market as well as in export markets. I believe that this initiative is now well established. Under the National Horticulture Mission, a large number of initiatives are being taken for improving the quality of planting material and for creating infrastructure that was talked about which is so very essential for the export of horticulture products. I am sure with the cooperation of the Orissa Government and the Central Government very many initiatives that have been talked about will get a further encouragement. There is already an Agri-Export Zone (AEZ), I think, on turmeric and ginger has been proposed by the Orissa Government. Through the Ministry of Commerce, it will be our endeavour to support the development of AEZ. I want to assure the hon. Member that so far the AEZ have remained three words on paper but this year we have taken a decision that we will support the AEZ through an investment window. We are hoping to allocate about Rs.50 crore to Rs.60 crore this year through

various schemes. I am sure that one of the AEZs in Orissa will see the light of the day and this would provide a very major new market opportunity for the farmers of Orissa.

Sir, you talked about KBK. I myself have been associated with the KBK project ever since it was first launched in 1987 when late Shri Rajiv Gandhi went to KBK. It is a very major initiative of this Government and I am glad that you mentioned the example of coffee. There are non-traditional areas of coffee cultivation that are being taken up. The entire Paderu area which is a tribal area of North-East Andhra Pradesh with borders of your own State of Orissa is an area where organic coffee is being taken up for cultivation. As you know, in today's world anything that is organic -- whether it is organic tea, whether it is organic coffee and whether it is organic chillies -- commands a premium in market. I will certainly talk to the Coffee Board and to the extent that we can provide further support and encouragement to non-traditional areas like KBK for the cultivation of organic coffee particularly we will come forward and support. I do want to assure the hon. Member in this regard.

The third area that he talked about was on fisheries. Our export of marine products, as I said, is about 1.2 to 1.3 billion dollars. But our problem with marine product exports is that, 60 per cent of our exports is shrimp. We export nothing but shrimp virtually. We have to diversify our export basket as far as marine products are concerned. After coming into this Ministry, I have reviewed this and I found that very many new areas are possible to develop. So far, the bulk of the marine product export industry really is Andhra Pradesh, Tamil Nadu and Kerala coast. We are, now, looking at new areas. Gujarat holds great opportunities for exports. Orissa has been identified as a major thrust area. I am going next week to Kerala to meet with MPEDA. So far I could not because of the election code. One of the things that I am discussing with MPEDA is precisely this issue how to diversify our export basket away from shrimps and how to develop new areas which have potential for the export of marine products particularly on the West Coast Gujarat and on the East Coast Orissa. It is my hope that in the next few months, we will be able to develop fisheries potential that exist in new States like Orissa and Gujarat. I do want to assure my hon. colleague, Mr. Bikram Keshari Deo, that many of the issues that he has raised are engaging my attention personally.

The issues that you have raised on the WTO Agreement, we can have a separate discussion on that because it is really not related to the subject matter of this legislation. But I do want to say that it is not my contention that because we are repealing these cesses, suddenly Indian products are going to be world competitive, suddenly our export share is going to increase and suddenly we will be major players in these products. This is not my contention[r7].

18.00 hrs.

MR. CHAIRMAN : I presume that the House will agree to extend the time for another half an hour for finally passing this Bill and also for completing the Zero Hour notices.

SHRI JAIRAM RAMESH: So, it is not my contention to say that suddenly this is going to be very major revolution in agri exports. What we are doing today is removing one important handicap that has been imposed on exports of agricultural marine products. To that extent, we are going to be removing that cost disadvantage of 0.3 per cent to 0.5 per cent which makes our products competitive.

Shri Sandip Dikshit made a large number of points on the import of agricultural products. He also expressed surprise that he was asked to speak twice on two successive Bills that was taken up. I want to tell my young friend that this is the price that he has to pay for remaining in the House at the fag end of the day. The floor managers at the end of the day get hold of whomsoever they can to speak on a Bill. I suppose, you have had to pay a penalty for that!

He raised a large number of issues on agricultural imports. I do want to assure Shri Dikshit, through you, that this is an area that is engaging our attention. We are monitoring not just the export of agricultural products, but more importantly we are also monitoring import of agricultural products because we are very sensitive to this whole issue that import of agricultural products should not affect the domestic agriculture and domestic farmers. We realise as to how sensitive an economic issue this is. It is a sensitive political issue. We realise the great strength of Parliament that raises this issue.

MR. CHAIRMAN: What about cardamom and pepper?

SHRI JAIRAM RAMESH: Sir, you are in the Chair. But I would respond to your concern separately. I would talk about cardamom and rubber also. Now, I am responding to the general points raised by Shri Dikshit.

Sir, I do want to assure the House that the import of agricultural commodities is constantly kept under check. We do take full cognizance of the need to monitor the import of agricultural products and wherever these products are competitive, wherever these products directly impinge on the domestic production we are constantly fine tuning our policies.

In a large number of areas import of agricultural products takes place in non-competing areas. For example, we import low grade pepper from Vietnam. Our Oleo resin industry uses it and re-exports it. Similarly, we import raw cashew. We process cashew and we export cashew. Today, India, you will be surprised to know, is the largest cashew importer; India is the largest cashew processor; India is the largest cashew exporter and it is the largest cashew consumer. In any industry, like cashew, the import of raw cashew is not a matter of great concern, but there are areas like in high grade pepper, in rubber, in cardamom, in tea, in coffee, in apples where we need to monitor the imports. I want to assure the hon. Member from East Delhi that the issue of monitoring of agricultural imports is a very major task for the Ministry of Commerce. I would be glad to share this data. This is all in the public domain. We put out this data every month as to how much agricultural imports are taking place, particularly products which are competing domestic production of the examples that I have mentioned. It is the policy of the Government that we will take immediate action where we see that injury being done to domestic producers from imports of agricultural commodities.

Shri Varkala Radhakrishnan, of course, now you are in the Chair, has raised some points. But nevertheless, I do want to say on the points that have been raised that on natural rubber and copra there are divergent views which we can discuss separately. But as far as import of pepper, tea, cardamom etc. is concerned, you are aware that I myself have met all the hon. Members of Parliament from Kerala. I have had two rounds of discussion with them[snb8].

I had discussions with the industry and my senior Cabinet Minister has also done the same. We are very concerned that we should not enter into a situation where import of many of these products impinges on domestic production.

You raised the issue of cardamom. Allow me to say that the import of pepper from Vietnam poses no threat to our industry because it is basically import of low grade pepper used by the Indian Oleo and resin industry and re-exported. But the import of high quality of pepper from Sri Lanka is a cause for concern. Import of cardamom duty free from Nepal is a cause for concern. I have personally raised this with my Sri Lankan counterpart and I have raised this with my Nepalese counterpart also recently in Dhaka when I attended the Ministerial Council meeting. India is very sensitive to the particular situation caused by the import of cardamom from Nepal and the import of high grade good quality pepper from Sri Lanka under the Bilateral Free Trade Agreement. I do want to assure that we will take whatever action that is required to protect the domestic industry.

Similarly, there have been concerns raised by you on natural rubber. This year, of course, the rubber prices have been ruling very well. So, this has not been a cause for concern. But this is a cyclical industry. Next year, the situation could very well change. We are very sensitive to this area and we are particularly sensitive that particular

states like Kerala are vulnerable because of the vagaries of these prices. But I do want to say that, to the best of my knowledge, we have not reduced any subsidy on natural rubber or copra in accordance with the World Trade Agreement. We have not been called upon to reduce subsidies. We may have fine-tuned some programmes of financial support. But I can categorically state that the World Trade Agreement on agriculture does not impose any obligation on India to reduce subsidies. I want to repeat this point. Categorically, I would say that India has not reduced any subsidy to any agricultural product in the last ten years on account of any international agreement that India has entered into with the World Trade Organization. If we have reduced subsidy and tried to reduce the growth like in fertilizer subsidy or any other area, it is because of our own domestic financial compulsions. But it has nothing to do with the International Trade Agreement.

Dr. L.N. Pandey has also raised a number of questions on the World Trade Organisation and on the need for having broad agricultural policy. I agree with you that export is a very small component of the larger issue of strengthening Indian agriculture. Indian agriculture requires more irrigation. Indian agriculture requires more research and Indian agriculture requires better price support and better marketing. This is a larger policy of Indian agriculture which Mr. Mahtab also spoke about. This Bill does not address those issues. This Bill addresses the limited issue of cess. I hope, on a separate occasion, we will have an opportunity to discuss all the policy issues that are required for strengthening Indian agriculture.

Finally, Shri Mahtab has also raised a large number of issues. Most importantly, he said that this Bill is not an *aam admi* Bill and this Bill helps only the elite farmers. Shri Mahtab for whom I have a lot of affection is a good personal friend of mine. I have travelled to Orissa with him. I think he is comprehensively wrong on this point. If you look at APEDA Act and if you look at all the agricultural commodities on which we are levying cess, you will find that the only commodity on which we are not levying cess is basmati rice and wheat. On every other agricultural product, a cess is levied. I do not know whether Shri Mahtab has ever been to the chilly growing areas of Guntur. The chilly-growing farmers are small farmers. A bulk of chilly cultivation is exported. We export Rs. 600 crores worth of chillies every year. The bulk of chilly cultivation is by small farmers holding less than about one and a half hectares of land. About 95 per cent of coffee growers in India are small farmers. About 95 per cent of marine product exporters are basically small exporters. Therefore, to say that we are only benefiting, by removing cess, elite or creamy layer of the farmers is, in my view, completely wrong[bru9].

(14/1810/rbn/mkg[r10])

It is actually the farmers across the board who are going to benefit. The small chilly grower, the small coffee grower, the small tobacco grower, the small dairy farmer and the small processed food exporter, these are the people who are going to benefit. It is not the big farmer who is going to benefit. I do want to reassure you that this Bill is very much part of the *aam admi* philosophy which has brought this UPA Government into power.

Another issue was also raised, that we should be very careful on agricultural exports. I agree with that view one hundred per cent. Agricultural export is all very well, but ultimately it is domestic welfare that is most important. Very few people in India know that India was the largest grain exporter in the 19th century. Throughout the 19th century India was the largest exporter of food grains and agricultural products. But that was because we were a poor country. We do not want to export at the cost of domestic consumer, just as we do not want to import at the cost of domestic producer. I want to reassure the hon. Member, Shri B. Mahtab that we do not want to export at the cost of domestic consumer. If the export of milk products is going to lead to an increase or spurt in domestic milk prices, obviously we are going to be sensitive to that export. But I do want to assure you that India today is the world's largest producer of milk. We produce eighty million tonnes of milk. After the Green Revolution it is the White Revolution for which we can be legitimately proud of. If a very small proportion of that eighty million tonnes is exported, I do not think that it is going to cause such a great turbulence in the domestic price situation. If it does and if at all there is a situation, whether it is for milk, whether it is for rice or whether it is for any agricultural product, I do want to reassure you that we are not going to export at the cost of domestic price situation.

As I said, export of agricultural products is not going to bring us great amount of dollars. It accounts only for about ten per cent of our total exports. We are exporting agricultural products not to earn dollars. We are exporting agricultural products to increase the incomes of farmers, in order to increase the livelihood of the millions of families who are dependent on these economic activities, part of which is exported. In the case of coffee it is substantial; in the case of chillies it is very small; and in the case of pepper and cardamom also it is very small. But nevertheless these exports are important to increase incomes of farmers and to increase the employment.

I think I have dealt with all the issues that have been raised. The most important issue that has been raised, of course, relates to the World Trade Organisation and the international impact on India's agriculture and what more needs to be done to strengthen the Indian agriculture. As I said, that takes us into the realm of irrigation, research, extension, price support, procurement and marketing. I think we can have a separate discussion, a full-fledged discussion, on this. The Government has already announced a very major financial restructuring package for the rural credit system.

People have asked about suicides of farmers. I think the single most important reason for the continuing suicides of the farmers all over India is the collapse of the rural credit system. It is simply non-existent. Less than fifteen per cent of the Indian farmers now depend on institutional credit. We have announced a very major programme, Rs. 15,000 crore programme, for reviving the entire rural cooperative credit structure in the next three to four years. This, we hope, will bring about a substantial difference to the availability of credit to farmers, which in my view is the most important requirement for Indian agriculture today.

With these few remarks and with the hope that we will have another opportunity to discuss the WTO and other issues of agriculture, I commend this Bill for your consideration and passing.

MR. CHAIRMAN : The question is:

“That the Bill to repeal certain enactments and to amend certain other enactments relating to levy of cess on certain items, be taken into consideration. ”

The motion was adopted[\[r11\]](#).

MR. CHAIRMAN: The House will now take up clause by clause consideration of the Bill.

The question is:

“That clauses 2 to 4 stand part of the Bill.”

The motion was adopted.

Clauses 2 to 4 were added to the Bill.

Clause 5

Collection and

payment of arrears of duties

Amendment made:

Page 2, line 15, --

for "2005" substitute "2006". (3)

(Shri Jairam Ramesh)

MR. CHAIRMAN: The question is:

"That clause 5, as amended, stand part of the Bill."

The motion was adopted.

Clause 5, as amended, was added to the Bill.

The First Schedule and the Second Schedule were added to the Bill.

Clause 1

Short title

Amendment made:

Page 1, line 2,--

For "2005" substitute "2006". (2)

(Shri Jairam Ramesh)

MR. CHAIRMAN: The question is:

"That clause 1, as amended, stand part of the Bill."

The motion was adopted.

Clause 1, as amended, was added to the Bill.

Enacting Formula

Amendment made:

Page 1, line 1, --

for "Fifty-sixth" substitute "Fifty-seventh". (1)

(Shri Jairam Ramesh)

MR. CHAIRMAN: The question is:

“That the Enacting Formula, as amended, stand part of the Bill.”

The motion was adopted.

The Enacting Formula, as amended, was added to the Bill.

The Long Title was added to the Bill.

MR. CHAIRMAN: The Minister may now move that the Bill, as amended, be passed.

SHRI JAIRAM RAMESH: Sir, I beg to move:

“That the Bill, as amended, be passed.”

MR. CHAIRMAN: The question is:

“That the Bill, as amended, be passed.”

The motion was adopted.

MR. CHAIRMAN: Now, we will take up ‘Zero Hour’.