SHRI SHANTARAM NAIK: If you want clarification, I will give you clarification.

MR. SPEAKER: No question of clarification. I do not want any clarification.

(Interruptions)

MR. SPEAKER : It has not gone on record.

(Interruptions)

MR. SPEAKER : I do not like hon. Members making such statement here. You can do it outside. But I will not allow it on the floor of the House.

Shri Jagdish Tytler.

12.09 hrs.

STATEMENT RE: PROPOSAL OF PUNJAB AGRO INDUSTRIES CORPORATION FOR SETTING UP A JOINT VENTURE IN PUNJAB WITH M/S. VOLTAS AND IN COLLABORATION WITH M/S. PEPSICO.

[English]

THE MINISTER OF STATE OF THE MINISTRY OF FOOD PROCESSING INDUSTRIES (SHRI JAGDISH TYTLER): Mr. Speaker, Sir, in July, 1986 M/s. Punjab Agro Industries Corporation (PAIC) made a composite application for obtaining an industrial licence and for setting up a joint venture in Hoshiarpur District of Punjab. *(Interruptions)*

MR. SPEAKER : You can have any discussion.

SHRI JAGDISH TYTLER: The proposed joint venture with TATAs involved foreign collaboration with M/s. Pepsico Inc., USA.

(Interruptions)

After I finish this statement, you make your comments, not just after the first sentence. *(Interruptions)*

MR. SPEAKER : Mr. Tytler, you finish your statement.

12.10 hrs.

[MR. DEPUTY SPEAKER *in the Chair]*

SHRI JAGDISH TYTLER: The proposal of M/s. Punjab Agro Industries Corporation was followed up first by the duly elected Akali Dal Ministry in Punjab and later by the succeeding administration under President's rule. The salient features of the proposal include :-

(i) An Agro Research Centre;

(ii) Potato/Grain Processing Unit(s);

(iii) Fruit/Vegetable Processing Unit(s);

(iv) A soft drink concentrate manufacturing unit.

On full capacity utilisation the project is estimated to utilise 80,000 tonnes of fruits and vegetables & 30,000 tonnes of potatoes and grains per year.

As per the Industrial Licence application the proposed subscribed and paid up share capital is Rs. 9.00 crores. The break up of this is as follows:-

I.	PAIC	36.1% equivalent of Rs. 3.25 crores.
II	TATAs	24% equivalent to Rs. 2.16 crores.
III	PEPSICO	Rs. 3.59 crores 39.9% of total investment.

The proposal was first subjected to careful preliminary examination of the issues involved by the concerned departments. It was then examined in detail by an inter-Ministerial Committee headed by the Additional Secretary (Agriculture). A special meeting of the Projects Approval Board (PAB) was held on 12th November, 1987. This meeting took an integrated view of all aspects of the project and suggested the following:-

(i) The turnover from soft drink concentrate manufacturing shall in no year exceed 25% of the total turnover of the company that year.

(ii) The project shall export 50% of its total turnover each year for a period of 10 years from the commencement of commercial production, of which 40% will be from the Company's own manufactured products and 10% from Select List Products manufactured by others. The foreign exchange inflow shall not be less than five times the foreign exchange outflow of the project during the aforementioned ten year period.

(iii) There shall be no import of proprietory ingredients to manufacture soft drinks concentrates and the raw materials available within the country shall be used to the maximum extent possible. The import of any raw material and chemicals that are not available indigenously shall be regulated by the import policy in force from time to time and no special import concessions shall be allowed.

(iv) Foreign brand names shall not be allowed to be used on domestic sales.

The matter was eventually considered by the Cabinet Committee on Economic Affairs on the basis of the conclusions of the Projects Approval Board. The proposal of M/s. Punjab Agro Industries Corporation was cleared totally within the policy framework and rules and regulations regarding industrial licensing and foreign collaborations. The terms and conditions on which the approval was given have been duly conveyed to the promoters (PAIC) and the same have been accepted by them. I understand that an agreement has also been signed by Punjab Agro and Voltas with the foreign company after permission for the project was given by the Government. I must emphasise that no policy guidelines or framework of rules and regulations was violated or bent or any departure made. In fact, if anything, better terms were obtained due to continuous negotiations than those which had been originally offered by the foreign collaborator. The decision of CCEA did definitely take into account the situation in Punjab which requires specific measures to promote a climate of investment in the State, a climate of generation of employment, a climate for diversification of agriculture, a climate for raising the rural incomes, which would, all put together, probably contribute to the restoration of peace and stability in the coming years in Punjab. The Government of India was also influenced in its decisions by the widespread support from political parties in Punjab and the farming community which this proposal had received. There are various advantages in this proposal:-

(1) 74% of the total proposed investment is in food and agro processing;

(2) At full capacity the project will utilise an estimated 80,000 tonnes of fruits and vegetables and 30,000 tonnes of potatoes and grains; and thus find a stable market for these agricultural products;

(3) It will bring an advanced technology to food processing and develop this industry;

(4) Create substantial additional employment capacity in rural areas;

(5) Generate additional tax revenues, estimated at over 150 crores per annum at the current level of taxation;

(6) Export 50% of the total value of its production of which 40% will be from the company's own manufactured products and 10% from products manufactured by others;

(7) The export obligation will be extended to 10 years instead of the usual 5 years for other such col-

[Shri Jagdish Tytler]

laborations. The promoters have also agreed that the export activities can start immediately on approval;

(8) Net foreign exchange earning will equal to more than 5 times of the total foreign exchange outflow. This means that for every dollar that India spends in foreign exchange on this project, the company will ensure an export earning of 5 dollars;

(9) Imports will be totally according to the existing policies of the Government of India and will bear all custom duties as in vogue at the time of import;

(10) The terms agreed to be Pepsico in India are far better than their existing agreements with Russia, China and various other countries. In Russia and China they have an export-import ratio of 1:1 whereas in the case of India the ratio will be 5:1 as explained above.

(11) The Agro Research Centre to be established by Pepsico will function in consultation with the ICAR and Punjab Agricultural university, Ludhiana.

(12) Manufacture of soft-drink will be limited to only 25% of the total turn-over of the project;

(13) The soft-drink concentrate will be manufactured within the country and in a company in which majority shares (60%) will be held by Indian companies. Both in Russia and China the finished concentrate is imported from their foreign plants outside their country.

(14) Since the units under this proposal will be set up in the State itself and have the backing of a State Government public sector corporation, it is hoped that the role of middlemen will be reduced and stable incomes will be available to the farmers through captive consumption.

(15) The project will go long way in reducing the wastage of fruits and vegetables.

(16) No foreign brand names will be used for domestic sales.

There has been some confusion as to why the Government has allowed a foreign collaboration with M/s. Pepsico when Coca Cola had been thrown out in 1977. Coca-Cola had been categorically asked by the Government to reduce its equity in India to 40% and also to manufacture the concentrate in India. This was told to the Coca-Cola people to remain in the country. The corporation did not comply with these conditions but rather chose to stop their operations in India. It may be noted that these two conditions have been complied with by M/s. Pepsico.

The project will go a long way in diversifying agriculture in Punjab. This diversification had been recommended by an Expert Committee which felt that the present agro-climatic systems in Punjab were being degraded due to repetitive use of land for cultivation of wheat and rice which have similar demands of water, nutrients, etc. The area under horticultural crop in Punjab is only 1.9% against the national average of 6.25 . The Committee recommended that action should be initiated for increasing the area under horticultural crop to 6.25% of the total crop area by 2000 AD. The larger diversification would naturally call for setting up of downstream processing facilities which would provide incentives to the farmers for horticulture, lead them to better yields and distinguish between table and processing varieties. It has been estimated that farm incomes which are in the region of Rs. 7000 per hectare from cereals cultivation may jump to Rs. 15000 to 20000 per hectare due to horticulture. Such composite projects will also go a long way in reducing the immense wastage in fruits and vegetables. It has been estimated that on a national basis we waste almost Rs. 3000 crores worth of fruits and vegetables every year. I may also point out that India currently processes only 1.5% of the total output of fruits and vegetables.

Any apprehension that food processing projects will deny fresh produce to the common man or result in higher prices is probably misplaced. Productivity of fruits and vegetables in India is very much below international standard. It is for this reason that the Government of India has separately announced a policy to permit import of hybrid seeds. To give an example, India produces barely 7000 pineapples plants per hectare whereas Hawaii, I am told, produces almost 17000 plants per hectare. In Phillipines, for example, mango crops have been harvested for 9 months following hormone treatment, whereas in our country we have a much shorter harvest Besides such improvements, it is also important to remember that fruit processing projects will initially utilise immense quantities which are wasted every year. Government of India and now the Minister of Food Processing Industries have been following the policy of promoting foreign collaboration and joint ventures in food processing. In the period between 1985 to 1987, 20 such collaborations were allowed.

Member may be aware that the soft-drink industry is now delicensed. Indian companies, including those with less than 40% foreign share holding, can be granted permission to set up facilities for manufacturing soft-drink concentrates in the country. It has been estimated that the per capita consumption of soft drinks is very low in India, compared to other markets. It is, therefore, true that there is a large scope for growth in this sector and significant growth has also been seen in the last decade, the Indian market at present consumes close to 3000 million bottles. At its peak capacity, this project will produce only about 20 to 25% of the existing manufacture of soft drinks in the country. This will in no way disturb the existing market trends in the soft drink sector in our country where one group enjoys a monopoly of almost 60% and is followed by two other groups each commanding almost 15 to 20% of the market share. In a rapidly growing market it can, therefore, be estimated that the new soft drink to be launched will only be one of the smaller shareholders.

There has been a note of caution from some quarters that the entry of multi-nationals into food processing has been through some consultants and that it will also lead to some kind of destabilisation. I would, first of all, like to make it clear that no intermediate or agents or consultants have been associated in this proposal. The proposal was moved by a State Public Sector Corporation and the licence has been given to them only. This proposal, like many others already sanctioned in the country, involves a joint venture proposal and a foreign collaboration. The Government of India perceive it to be a proposal which will upgrade food processing technology, increase rural incomes and rural employment and also help in the export strategy of our country. I would only like to mention at the end that we believe the strength and stability of our democracy and Government arises from the intrinsic internal strength of our system. This cannot be endangered by any multi-national whatsoever.

Finally, I would like to draw your attention to Government's strong commitment to take development to the farm. A majority of our population lives in rural areas and is occupied in agriculture. The Government is convinced that the removal of poverty can only be achieved through rapid development of our agriculture. That is why we have strongly supported the growth of food processing industries in rural areas. The logic is simple yet innovative. Food processing adds value to our largest national investment: agriculture. The development of such industries will increase farm incomes, boost exports and benefit the consumer. The proposed joint venture is a step in the right direction. Among the advantages we see in it are:-

a) Growth of the domestic processed food industry;

b) Access to the world markets for processed fruit and vegetable;

c) Upgrade existing technology in agriculture processing and packaging to international standards.

(Interruptions)

SHRI SOMNATH CHATTERJEE (Bolpur): We want a discussion on this.

MR. DEPUTY-SPEAKER: You can give notice. I cannot allow now a discussion. You give notice, I will see.

SHRI SOMNATH CHATTERJEE. It will be allowed, I am sure.

MR. DEPUTY-SPEAKER: If you give notice, I will see.

SHRI SOMNATH CHATTERJEE: Notice has been given.

MR. DEPUTY-SPEAKER: Now we take up next item. Shri Amal Datta.

12.22 hrs

ELECTION TO COMMITTEE

[English]

Public Accounts Committee

SHRI AMAL DATTA (Diamond Harbour): Sir, I beg to move:

"That this House do recommend to Rajya Sabha that Rajya Sabha do agree to nominate a member from Rajya Sabha to associate with the Committee on Public Accounts of this House for the unexpired portion of the term of the Committee ending on the 30th April, 1989 vice Shri Kalpnath Rai ceased to be a member of the Committee on his appointment as a Minister of State and do communicate to this House the name of the member so nominated by Rajya Sabha."

MR. DEPUTY-SPEAKER: The question is:

"That this House do recommend to Rajya Sabha that Rajya Sabha do agree to nominate a member from Rajya Sabha to associate with the Committee on Public Accounts of this House for the unexpired portion of the term of the Committee ending on the 30th April, 1989 vice Shri Kalpnath Rai ceased to be a member of the Committee on his appointment as a Minister of State and do communicate to this House the name of the member so nominated by Rajya Sabha."

The motion was adopted

12.23 hrs

COMMITTEE OF PRIVILEGES

[English]

Extension of Time for Presentation of Report of the Committee

SHRI JAGAN NATH KAUSHAL (Chandigarh): Sir, I beg to move:

"That this House do further extend upto the last day of the first week of the next session the time for the presentation of the Report of the Committee of Privileges in regard to allegation made by Shri K.P. Unnikrishnan, M.P., against the Minister of state in the Ministry of Commerce (Shri Priya Ranjan Das Munsi) on 10th December, 1987, during discussion on 'No Confidence Motion."

(Interruptions)

PROF. MADHU DANDAVATE (Rajapur): You put it in the next Lok Sabha. *(Interruptions)*

SHRI G.M. BANATWALLA (Ponnani): You drop this Motion altogether. Ask him to withdraw it.

MR. DEPUTY-SPEAKER: It is for you two to decide. I cannot do anything.

(Interruptions)