

12.11 hrs.

*At this stage, Dr. A. Kalanidhi and
Shri N.V.N. 'omu left the House)*

ESTIMATES COMMITTEE

Eighteenth Report

[English]

SHRI CHINTAMANI PANIGRAHI (Bhubaneswar) : I beg to present the Eighteenth Report (Hindi and English versions) of the Estimates Committee on Action Taken by Government on the recommendations contained in the Eighty-third Report of the Committee (7th Lok Sabha) on the Ministry of Industry—Motor Cars.

[Translation]

SHRI C. JANGA REDDY : Mr. Speaker, Sir, the employees of the rural banks ..

[English]

MR. SPEAKER : This is not the subject. No question.

[Translation]

SHRI C. JANGA REDDY : I have given notice of an Adjournment Motion.

[English]

MR. SPEAKER : No question. Not allowed. I have disallowed.

Shri Mullapally Ramachandran.

(Interruptions)*

MR. SPEAKER ; I have gone to the call-attention motion.

12.13 hrs.

CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE

[English]

Non-fixation of Minimum Release Price for Coffee

SHRI MULLAPALLY RAMACHANDRAN (Cannanore) : Sir, I call the attention of the Minister of Commerce to the following matter of urgent Public importance and request that he may make a statement thereon :—

“The situation arising out of the non-fixation of minimum release price for coffee despite the recommendations made by the Coffee Board resulting in crisis in the coffee plantations and the steps taken by the Government in that regard.”

THE MINISTER OF STATE OF THE MINISTRY OF TEXTILES (SHRI KHURSHID ALAM KHAN) : Sir, The minimum Release Price for coffee is fixed on the basis of cost study conducted by Cost Accounts Branch of the Finance Ministry from time to time. The MRP includes the cost of cultivation plus 10% post tax return on networth.

The MRP was last revised on 17-12-1983 by raising it from Rs. 5.5 per point. No coffee is sold in domestic auctions below this reserve price.

The MRP revision resulted in an increase in domestic prices of the order of 20%, but as a result of the MRP revisions the growers earnings went up only by 8%. This was because of the fact that the returns on 60% of the coffee which is exported are not affected by MRP. Return on exports is however much higher than domestic sales.

The last revision in MRP was based on study carried out in 1982 and was implemented in 2 stages to avoid a sudden increase in domestic prices which might effect domestic demand adversely.

*Not recorded.

[Shri Khursid Alam Khan]

Chairman, Coffee Board had estimated the need for a future ad-hoc revision of MRP to Rs. 7.55 per point in December, 84. This was immediately referred to the Cost Accounts Branch who framed questionnaires for collection of cost data. These were circulated to only 600 growers but cost-data returns have only been received from about 96 growers. However, constant efforts are being made to expedite the cost study so as to ensure a revision in MRP which balances the interests of the consumers and the coffee growers.

The returns to coffee growers during the past five years have been around Rs. 8 per point which is even more than the revised MRP suggested by the Coffee Board. With increase in exports from a level of about 68,000 tonnes last year to a level of about 97,000 tonnes in the current year and firming up of export prices which is likely to continue through the next year, the returns to the coffee growers are likely to continue to be remunerative.

SHRI MULLAPALLY RAMACHANDRAN (Cannanore): Sir, I am extremely happy for having got this opportunity to highlight the difficulties faced by the coffee growers throughout the country. The coffee industry which is mainly spread over the Southern States of Karnataka, Kerala and Tamilnadu faces an unprecedented financial crisis. In this regard, it is pertinent to note that Kerala stands second only to Karnataka in the production of coffee. In Kerala, the production is concentrated in the hills of Wynad which mainly fall in my Constituency. Therefore, I have my own personal experience to go over there to have an on the spot study of the situation and I understand their problems directly.

Speaking about the coffee plantation, one may be having the impression that it relates mainly to big land-lords as well as to the affluent coffee planters. This is absolutely incorrect. 97% of the growers own less than 10 hectares of land and of this, 63% have only 2 hectares of land holdings. These small and marginal farmers depend upon coffee for their livelihood and the production of the coffee in turn depends upon the vagaries of the monsoon. It is also pertinent to note that the fortunes of

the small and marginal farmers to a greater extent are in the hands of the Coffee Board which fixed the minimum release price for the coffee. A very serious and alarming situation has arisen out of the non-fixation of MRP for coffee during the past few years.

The Minimum Release Price can be fixed only by the Coffee Board, and the producers have no option other than to sell their products to the Board. The practice was to fix the M.R.P. just before each harvesting of the crop. But in the recent years failure to do this has resulted in acute financial crisis to the growers.

Coffee in India is marketed by Pool system through government agency, the Coffee Board. The M.R.P. is fixed by Government. The M.R.P. of coffee at Rs. 6.54 per point was recommended to the Government of India by the Cost Accounts Officer of Finance Ministry and Coffee Board during 1979-80. But this was given effect only in 1983 in two instalments. The growers are incurring rise in expenditure from year to year due to rise in the prices of inputs like labour, manure, insecticides and transportation charges. The revision of the M.R.P. should reflect the existing cost of production and margin of profit to grower. In view of escalation of costs of all inputs every year, the M.R.P. should be revised once in a year by 30th September, i.e., the International Coffee Year. This should be a regular feature as in the case of other industrial consumer products. The small growers are facing acute hardship to maintain their estates. If the M.R.P. is not revised every year according to the rise in the prices of inputs, the coffee industry will perish in a couple of years.

The problem of the coffee-growers is multiplied by the steep rise in the prices of agricultural inputs such as fertilisers, pesticides, etc.

I, therefore, call upon the hon. Minister to see that the M.R.P. is fixed from time to time keeping in mind the cost of production and the target achieved. It is not sufficient that the M.R.P. is fixed, but effective steps should be taken to see that

the amount reaches the growers in time. I hereby seek a categorical assurance from the hon. Minister in this regard.

Thanks to the monsoons, we have had bumper crops in the past few years. Any change in the climatic conditions directly affects the prospects of coffee production, and the best instance of this is the total destruction of coffee crop in Brazil due to the frost of 1977. Brazil, as we are all aware; was the highest producer of coffee until the frost. Looking to the recent history of India's coffee market, one can see that the misfortune of Brazil was no doubt the fortune of India since it opened to us new vistas of international market. It was during 1977 that India earned the highest foreign exchange through the sale of coffee which was Rs. 217 crores. However, it was the boom of 1977 that caused the imposition of high export duty on coffee. In 1981, a situation similar to the present one was caused by overproduction and there was surplus of coffee in the market which compelled the Government to abolish the export duty. However, the duty was there after reimposed by the Government without reference to the fluctuating international market.

Though the export duty has been reduced thrice in six months, it now stands at Rs. 3,000 per tonne. It was Rs. 7,200 per tonne in April.

It is worthwhile noting that the Government was more aware of the problems of the growers in 1981 and had totally abolished the export duty. Reducing the export duty in stages or phases as is being done is of no help to the small and marginal farmers. What they require is the total abolition of export duty. In this respect I would like to know from the hon. Minister whether the Government will consider abolishing the export duty on coffee once and for all. I would like to have a categorical answer from the hon. Minister.

Coming to another important aspect of the problem, I draw the attention of the House to the fact that despite global overproduction and unprecedented bumper production in India, the Government is still

considering extending the cultivation of coffee to 50000 acres of non-traditional areas under the 7th Five Year Plan.

Without ensuring a market for the existing produce the Government's policy to increase production is highly objectionable. While the world production has considerably increased as in India the consumption has remained stagnant. Corrective steps must be taken immediately. The most urgent of which is the need to explore possibilities of marketing coffee to non-quota countries. The lethargy of the Government in this regard is seen from the fact that we are presently marketing coffee only to a couple out of 64 non-quota countries. It is also to be explored whether the marketing to quota countries could be increased.

It is sadly noted that the Government of Karnataka has added to the misery by levying purchase tax for coffee.

Lastly, I draw the attention of this august House to the callous and indifferent attitude of the Coffee Board which was intended to safeguard the interests of the coffee growers. The Board has failed the growers on all counts. It has become a white elephant and an embodiment of inaction. I am reminded of the old saying "Nero was fiddling while Rome was burning". This is true about the "take it easy" attitude of the Board at a time when the coffee marketing is facing an unprecedented crisis. It is evident that the Board has done nothing to secure a better international market and has also failed to end the stagnation in the domestic market.

[*Translation*]

Mr. SPEAKER: Yes, Basudebji. Is coffee grown in your area also?

[*English*]

SHRI AMAL DATTA (Diamond Harbour): We are going to have it. If they cannot sell their products, then we have no chance. Thousands of hectares have been reserved in non traditional areas. We are looking ahead.

MR. SPEAKER: You are going to get into the stride. Prepare the way before you march ahead.

SHRI BASUDEB ACHARIA (Bankura): Sir, minimum release price (MRP) has been demanded by the coffee growers since long. It has been stated by the Minister in his statement that the MRP was revised in the 1982 and since then the MRP has not been revised though it was demanded by the coffee growers all over India and the Coffee Board has also recommended for the release of this MRP for coffee.

12.24 hrs.

[**MR. DEPUTY SPEAKER** *in the Chair*]

Sir, the coffee industry in our country is now facing crisis. Crisis is not only in the internal market, the crisis is there in the external market also. Because of glut in the supply position of coffee, the non-quota countries are now taking advantage of the plight of the major producers and these countries are now demanding substantial discount on world prices.

Sir, in the current year the production of coffee is estimated to be 1.70 lakh tonnes. Out of this only 55,000 tonnes will be required for our domestic consumption.

The rest, that is over 85,000 tonnes of coffee are to be exported. The present system of marketing is 40 years old and it is entirely under the control of the Coffee Board which is operating the marketing of coffee. Since 1982 the cost of agricultural inputs, fertilisers and other things have been increased substantially, but the minimum release price for coffee which was fixed at Rs. 6.54 per point was fixed in the year 1982. This policy of fixing minimum release price should be reviewed. I want to know whether it is not a fact that the coffee industry has asked the Centre to allow it to market 15 to 50 per cent of the total production and to increase the growers' representation in the Coffee Board to 50% because sometimes the growers' interests are not represented in the Coffee Board. That is why, at the time of recommending this minimum release price this production cost and other factors are not sometimes considered.

I also want to know whether the growers are also demanding abolition of export duty on coffee as has been stated by my colleague which will maximise the export of coffee and this can also save the industry. Has the Government thought over it? Only 0.26% have come from this export duty on coffee.

Thirdly I want to know whether the Government has decided to increase the coffee growing area during the Seventh Five Year Plan by 50,000 hectares including 30,000 hectares in non-traditional areas. In view of this I want to know whether the Government have thought over increasing the domestic consumption of coffee which is increasing by only 3% per annum. So my questions are : (1) whether the growers are demanding an increasing representation on the Coffee Board and (2) whether it is a fact that growers are not properly represented on the Coffee Board.

The Coffee-growers have represented that part of the losses suffered on account of discount on non-quota growers should be compensated by the Government from some of the accumulated collections from the customs duty. The Coffee Board has already taken it up with the Government and I want to know what steps are being taken in this regard.

My last question is : whether the Government will examine each year the cost factor and announce the minimum release price for coffee.

SHRI AMAL DATTA (Diamond Harbour): Sir the present problem which has given rise to this Call Attention motion appears to be merely a tip of the ice berg regarding coffee industry. It seems the industry is deemed because of the policies being pursued by the Government for the last decade or so. The Government has not been able to increase consumption of coffee internally consistently with the increase in production of coffee.

In fact, after a rapid rise during the early part of last ten years it has been stagnating for the last three-four years around 55,000 to 60,000 tonnes per annum. Apparently the coffee Board

which is the only agency of the Government in this field and has a monopoly in marketing of coffee—at least at the initial stage—has done very little for development, promotion and marketing of coffee. In fact what is now being alleged is that younger people are not taking to coffee. It indicates a failure on the part of Coffee Board.

Secondly, there is a much scope for increasing export of coffee to non-quota countries. In fact whatever we are able to export to non-quota countries—which are only three or four in number—is done at throw away prices. The prices are 40 per cent below the quota countries, prices. There will be objection on that score. The Coffee Board has to build up both the internal consumption as well as export to non-quota countries. This has not been done. The Minister has stated that the average MRP including both export and internal sale comes to 8.1 point and that is more than the Chairman of the Coffee Board has suggested. I think it is a mistake to make an average of export and internal prices because export prices are obtained by bigger growers whereas small growers have to be content with the internal prices. It is from the smaller growers that the distress signals have been coming. I am told the suggestion for reduction of export duty was rejected by the Coffee Board itself because of the pre-dominance of the small growers who did not think this policy was going to benefit the small growers. I would like to ask the Minister what are the plans so far as coffee is concerned to increase the export to non-quota countries; to increase consumption in domestic market; to reduce the difference between the price at which the coffee is sold for domestic purposes and the price at which the consumer has to purchase? It has to be done by reducing the profit of the middleman otherwise consumption of coffee cannot grow. All these are required to be accomplished for the purpose of increasing coffee cultivation to non-traditional areas in which we are all interested because coffee has been a monopoly of certain States only. It had been decided long ago to extend it to non-monopoly areas but before doing that all these conditions must be satisfied. So, will the hon. Minister kindly reply to these points?

SHRI ANIL BASU (Arambagh) : Sir, first of all, I thank the hon. Minister for passing on the burden of fixing the M.R.P. of coffee on the shoulders of the coffee growers. Actually the Chairman of the Coffee Board recommended MRP of coffee to Rs. 7.55 per point in December 1984 and the Government of India have still not taken any decision. On the last occasion when the price was raised in the year 1983 from Rs 5.5 per point to Rs. 6.54 per point, what happened at that time? Some high officials in the Coffee Board and the Chairman of the Coffee Board had flown to Bangalore and arranged a meeting with the coffee growers. They came back and submitted a report to the Joint Secretary of the Government of India and then only the price was fixed at the rate of Rs. 6.54 per point. This time, this procedure has not been followed and the hon. Minister is telling us that he has circulated the proforma for collecting information from 600 and odd growers and they could obtain the proforma from 96 growers only. That is the reason why they are not able to take the decision. This is the indifferent attitude of the Government to pass the burden on the shoulders of the growers and this should be avoided. They should fix the MRP of coffee on ad hoc basis taking into consideration of the recommendation of the Chairman of the Coffee Board. It should not be delayed. Actually, they are adopting the delaying tactics in the name of collecting data and so on. This should be avoided.

Sir, during the Seventh Five Year Plan, the Government of India is extending production of coffee to non-traditional area also and price of coffee must be dependent on internal consumption and export of coffee to other countries. The membership of the international coffee organisation stood at 73, that is, 47 exporting countries and 26 importing countries and the quotas were allocated in two parts, that is, the fixed quota of 70% of the stocks related to export performance and 30% related to verified stock held by each country in relation to stocks. Now, what is the effective quota for India this year? The hon. Minister mentioned in his statement that they are hoping to export 97,000 tonnes of coffee during this current year. Now, what is the effective quota of coffee from the

[Shri Anil Basu]

International Coffee organisation? We have to depend on export of coffee from non-quota countries. We do not know what is the position in international market for exporting coffee to the non-quota countries. Actually, we have to take into consideration other points also to obtain higher effective quota from international coffee organisation for promotion of export of coffee to other countries. As compared to the last year, if the effective quota is less this year, then the total export will come down. The Coffee Board collects coffee through their local agencies and the local agencies are numbering about 200. The number of collecting agencies has not increased for the last two or three years. The number of collecting agencies should be increased as the production of coffee is raising steadily.

Sir, I would like to put the question like this. Why has he not taken into consideration the recommendation the Chairman of the Coffee Board for fixing the MRP of coffee on ad hoc basis? They could fix the price of coffee on ad hoc basis so long as the information is not collected.

But they are not doing this. This should be done. It must be kept in mind that the production of coffee is increasing and we should, therefore, look properly to the internal market as well as the international market. We should also take steps in promoting export of coffee to the non-quota as well as quota countries and the effective quota for the year should be increased so that the exports can increase steadily.

SHRI KHURSHID ALAM KHAN : I entirely agree with the hon. Member, Shri Ramachandran that out of one lakh coffee growers in the country, sixty three per cent are really small growers. But, here I would like to mention that the pooling system is such that the coffee produced by the small growers as well as the big growers is pooled together and then exported or released for the domestic consumption. Therefore, the question of small and big is not really relevant in respect of sales or exports.

As regards minimum release price, as I mentioned already in the statement, as soon as we received the proposal from the Coffee Board, it was referred to the Cost Accounts Branch, who issued a questionnaire to six hundred growers. With great difficulty it has been possible for them to get replies only from 96 growers. Naturally, the Cost Accounts Branch people thought that it would be necessary to get sufficient data for the purpose.

DR. K.G. ADIYODI (Calicut) : It is most difficult for the ordinary growers to fill the proforma supplied to them. A computer would be needed to fill such a questionnaire.

SHRI AMAL DATTA : Was this method not followed earlier?

SHRI KHURSHID ALAM KHAN : It was followed earlier also.

SHRI AMAL DATTA : How many people used to respond.

SHRI KHURSHID ALAM KHAN : Let me answer. I would not be able to say that. That figure is not with me, but the method is the same.

As I said, the questionnaire was circulated to 600 growers, out of one lakh growers, to obtain cost data. I can assure you that the matter is being pursued very vigorously with the Cost Accounts Branch... (*Interruptions*). I give the assurance that everything will be done to ensure that this is finalised as early as possible and with least possible delay. ... (*Interruptions*). I do not think, it will be really very appropriate to have an ad hoc revision at this moment and then final minimum release price. Therefore, if it has been delayed little, it would be much better if we have the final minimum release price.

As I said, we are trying to pursue this matter vigorously and I assure the hon. Members that everything possible will be done to expedite it.

I would also like to mention that the minimum release price affects the domestic sales and not the exports. It takes time

to revise the minimum release price. Data is collected, but it is very difficult to collect the data before every crop season as is done in the case of certain other agricultural produce. The last revision in minimum released price was done on the basis of data collected in 1982.

Therefore, it will not take much time and it would be possible for us to come to a conclusion through the Cost Accounting Branch and finalise it. I would also like to mention here that the London Terminal Price is for the lowest grade of coffee. Our coffee is always a better quality coffee and the price it fetches in the export market is higher than the lowest grade coffee.

As regards increased production, I definitely agree. But here, I would like to tell my hon. Friend Shri Datta that he comes from an area where people grow more tea and if he goes on pleading more for coffee, it may so happen that people might give up tea.

SHRI AMAL DATTA: Non-traditional areas include West Bengal also.

SHRI KHURSHID ALAM KHAN: Yes, in non-traditional areas also, we are making this experiment. I think it is necessary because India being a large country, if in one area the crop fails, it might not fail in other areas. But I have also to keep Shri Datta's interest in tea in view.

I agree that production has to be increased and every possible effort will be made to increase the production. Apart from exporting coffee in the present form there are a lot of possibilities for exporting coffee in value added from which gets a better export price than the present form. Secondly, new markets for export will be explored. We will also see to it that exports to non-traditional countries are also increased. Hon. member Shri Ramachandran mentioned about purchase tax. I am sorry to say that I am not in a position to answer it because the matter is already *sub-judice*. Therefore, I will not say anything about it.

Regarding the constitution of the

Board, I think that it is a very balanced board. If you like, I can read out the members' names.

MR. DEPUTY SPEAKER: It is not necessary to read out the whole thing.

SHRI KHURSHID ALAM KHAN: I can give the information to Shri Amal Datta.

The minimum release price was devised on the basis of 1982 date. As I said earlier, as soon as we get little more data, it would be possible for us to pursue with the Cost Accounting Branch and to tell them that they must expedite and see that the revised MRP is issued.

It is a fact that the discount offer in export to the non-quota countries is also there. But this also is being taken into consideration while fixing the export duty which has been reduced by several times and now the duty has been almost nominal. Therefore, this should not be a sort of burden on the growers in such a fashion that they would suffer on this account.

It is necessary to explore the possibility of growing coffee in non-traditional areas. Just as I mentioned earlier, if sometimes there is a failure of crop in one area, there might not be any failure in some other region. So, in non-traditional areas also it has to be done, just as we are doing in the case of rubber also in non-traditional areas.

The growers have been getting very good remunerative returns and there is no dearth. As a result of the failure of the crop in Brazil, I do not think that there is any room for apprehension that the export prices may go down. In fact, I can assure you, that the prices are likely to increase further.

It is also a fact that coffee-drinking is really increasing. I must really say that when we were studying in colleges, we never took coffee. We always had tea only. But in most of the colleges and cities, more coffee is consumed.

SHRI AMAL DATTA: The position

[Shri Amal Datta]

has been reversed again in the last three or four years.

SHRI KHURSHID ALAM KHAN: I think Mr. Datta, you would like to keep the balance between the two. We are making very serious efforts for exploring the possibilities of exporting quota to non-traditional areas. As I have said, the question of big and small growers here does not arise because all the Coffee which is produced is pooled together and only 60 per cent of the Coffee is exported and about 40 per cent is utilised for the domestic requirements.

Mr. Basu also wanted to know the position. Soon after receiving the proposal from the Coffee Board, it was referred to the Cost Accounting Branch, but on the questionnaire issued, as I said, out of 600 people, only 96 people have replied so far and that too with great effort. So we have been making effort through the Coffee Board and we are trying to expedite it further.

The present effective quota, we will try to increase it as much as possible. There is shortage of coffee in the world, as a result of Coffee crop failure in Brazil. That improves our prospects.

SHRI CHINTA MOHAN: What about India?

SHRI KHURSHID ALAM KHAN : India is doing well. The duty has been reduced to Rs. 300 per quintal from 2 August, 1985, whereas the price has been ruling at about 1800 pounds per tonne. There is therefore no justification for further downward revision or complete waiving of export duty. Minimum release price is fixed keeping in view all the factors, the cultivation, during charges, marketing charges, bonuses, interests, taxes, returns to the growers etc. and ensuring a minimum post tax return of 10 per cent even to the growers. On the basis of the cost accounting report in 1982, MRP was revised from Rs. 4.45 per point to Rs. 5.5 per point from 1.3.83 and further increased to Rs. 6.5 per point from 17.12.83. Now Cost Accountants, are busy and I am sure that whatever revision is there, it will be still

better than what has been recommended by the Coffee Board.

SHRI MULLAPPALLY RAMACHANDRAN: Fifteen other commodities have been exempted from this export duty. Why don't you include Coffee in that? Moreover in 1981, there was over-production. The Government of India have decided to abolish export duty. It is most embarrassing.

MR. DEPUTY SPEAKER: Now, we will take up item, under 377. What is your point for clarification? No more clarification. I cannot allow it.

SHRI ANIL BASU: I think the Chairman of the coffee Board is a wise person and he has recommended MRP to the Government. Then why are you not accepting it on ad hoc basis? Why are you not accepting it. You are passing burden on the growers.

MR. DEPUTY SPEAKER: Now Shri Madan Pandey.

12.55 hrs

MATTERS UNDER RULE 377

[*Translation*]

- (i) Setting up of a High Power Committee to Study the Transport Needs of the Eastern Districts of U.P. and Western Districts of Bihar

SHRI MADAN PANDEY (Gorakhpur): Mr. Deputy Speaker, Sir, the eastern districts of Uttar Pradesh and the Western districts of North Bihar are backward because there is not only lack of industrialisation there but proper means of transport have also not been made available, with the result that these districts cannot be properly linked with other parts of the country. Although Government have spent crores of rupees on the Government approved Chhitauni-Bagha-rail-road bridge and on gauge conversion schemes on Bhatni-Varanasi railway line and foundation stones has also been laid, but work on them