

509 *Calling Attention* VAISAKHA 7, 1914 (SAKA) *prices for VFC Tobacco* 510  
*Resentment in A.P. over low*

Finance and Development Corporation;

- (2) Ninth Report on reservations for and employment of Scheduled Castes and Scheduled Tribes in National Buildings Construction Corporation Limited.

13.41 hrs.

*The Lok Sabha then adjourned for Lunch till Forty-five minutes past Fourteen of the clock*

*The Lok Sabha re-assembled after Lunch at Fifty-two minutes past Fourteen of the Clock*

[MR. DEPUTY SPEAKER *in the Chair*]

CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE

**Resentment in Andhra Pradesh over low prices for V.F.C. tobacco**

[*English*]

PROF. UMMAREDDY VENKATESWARLU (Teali): Mr. Deputy Speaker, 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:—

"Resentment among tobacco growers in Andhra Pradesh over low prices for V.F.C. tobacco."

THE MINISTER OF STATE OF THE MIISTRY OF COMMERCE (SHRI P. CHIDAMBARAM): The Tobacco Board conducts auctions at its auction floors in the

States of Andhra Pradesh and Karnataka, where the tobacco growers bring there tobacco for sale. The cigarette manufacturers, the exporters and other tobacco traders authorised by the Tobacco Board participate in the auctions and buy tobacco. The auctions in Andhra Pradesh commenced this year from 14th February, 1992. There are a total of 23 auction platforms.

After assessing the domestic demand and export potential, the Tobacco Board authorised this year for Andhra Pradesh a crop size of 124.83 million kg as against a crop size of 89 million kgs last year. I may point out that this figure of 124.83 million kg was against the original plan of the Tobacco Board to authorise a crop size of 145 million kg and the growers applications for registration amounting to approximately 133 million kg.

Till the year 1990, the average price at auction platforms in Andhra Pradesh did not exceed Rs. 17 per kg. In fact, in 1990, the average price was only Rs. 14.69 per kg. In 1991, there was a sharp rise in demand and, therefore, the average price in auctions in Andhra Pradesh increased to Rs. 33 per kg.

However, this year there has been a decline in the average price in the auctions. As on 17th April 1992, at the end of the 10th week of auctions, the average price was Rs. 30.22 per kg as against Rs. 32.66 per kg during the corresponding period of last year. This is against the Minimum Support Price (MSP) of about Rs. 16 per kg fixed by the Commission for Agricultural Costs and Prices and the Minimum Guaranteed Price (MGP) assured by the trade of Rs. 18.50 to Rs. 21.50 per kg. In view of the decline in prices as compared to last year, there has been resentment among the growers.

The Chairman, Tobacco Board has been in touch with other members of the Tobacco Board including representatives of growers

[Prof. Ummareddy Venkateswarlu]

and traders. The Chairman has also been in touch with the traders, including escorts and cigarette manufactures. The Tobacco Board convened an emergency meeting of the Board on 23rd April 1992, to take stock of the situation and to consider appropriate measures to help stabilise the prices.

The decline in prices has come about due to a variety of factors. There has been higher production this year in some of the coming countries such as Brazil, Zimbabwe, Malawi, Argentina and Mexico. The Russians have so far contracted only 15,000 metric tonnes as against 25,000 metric tonnes envisaged in the Indo-Russian Trade Protocol for 1992. The UK merchants, who are among our major buyer, have been less active this year. Following the recent current devaluation in Zimbabwe, Indian tobacco is facing stiff price competition from that country.

As a result of the efforts of the Tobacco Board, the traders have assured to improve the price. For F1 grade the traders have offered a price of not less than Rs. 32.50 per KG and appropriately adjusted prices for other grades. Government is also in touch with the Russian Government and it is expected that the Russians will make further contracts very soon.

The interest of the tobacco growers is uppermost in the mind of the Government. Government, through the Tobacco Board, has taken all possible steps to promote an amicable settlement between the traders and the growers. Having regard to the development in the last few days and the offer made by the trade, the Tobacco Board has decided to resume the operations in all the auction platforms. Growers have expressed their desire to bring their produce to the platforms. Arrangements are being made to help the growers bring their produce to the

platforms. Government expects that the prices will stabilise and normalcy will be restored soon in the auction in Andhra Pradesh.

PROF. VENKATESWARLU UMMAREDDY (Tonali): Mr. Deputy Speaker, Sir, I am particularly thankful to you for having given the opportunity to discuss this very important issue. The Tobacco growers in Andhra Pradesh have been facing a lot of stress particularly due to the declining prices of tobacco. Tobacco is one of the very important commercial crops grown in India. About 80 per cent of the crop is grown in Andhra Pradesh only which is fetching about Rs. 2600 crores to the exchequer in the shape of excise duty and is earning more than Rs. 3 crores towards the foreign exchange. When the crop is such an important one then not only the auctions are being regulated and conducted by the Tobacco Board even the crop size and the production quantum is determined by the Tobacco Board. It is unlike other crops.

Now, as the Tobacco Board is conducting auctions and as it is overseeing the auction; coordinating between the traders and the growers and determining the size of the crop, the Board virtually exercises total regimentation. The Board registers and authorises the growers and also determines the crop size from year after year. Two factors are taken into consideration while determining the crop size, that is, the domestic consumption and the external demand. Keeping in view both these things the crop size is determined.

During the year 1990-91 the production of tobacco was hardly 89 million Kg. Unusually, this year at the beginning of the season there was an indication that the external purchases, particularly from the U.K., market will be high.

15.00 hrs

There is an indication from the U.K. market that their purchases would be to the tune of 63 million kgs. and accordingly the crop size was fixed originally at 145 million kgs. So, that was the size which was fixed by the Tobacco Board. It normally gives a signal to the growers that there was a huge demand. The demand will be to the extent of the total supply or the production that will be made in the country. As against 145 million kgs. that has been originally planned, the crop size was only 122 million kgs. to 125 million kgs. for various adverse climatic conditions during this year. The farming community or the growers are in a dilemma whether this year, it is going to be a buyers' market or a growers' market. They are in a dilemma whether the crop that is being produced this year, that is, to the extent of 125 million kgs. which will be about 40 per cent over and above the last year's production of 89 million kgs. and whether the average price offered last year would be retained even during this year also in the market.

15.01 hrs.

[RAO RAM SINGH *in the Chair*]

Fortunately, our hon. Commerce Minister had visited Guntur on 26th December, 1991 and he had attended our first Board Meeting also. Then, the hon. Commerce Minister had addressed the growers who had gathered at the Tobacco Board Office at Guntur on 26th December, 1991.

Sir, confirming the hope that had been given by the Tobacco Board for increased production of tobacco, the hon. Commerce Minister also said that this particular year also the price of tobacco would be the same as was fetched last year, that is Rs. 33 per kg. He had also promised that during this year, the Russian market is also going to purchase once again a higher quantity. He

had also mentioned that our hon. Prime Minister had a dialogue with the Chinese Prime Minister and hence there is a possibility that we will get orders from China also during this year. Keeping all these things in view, he had assured beyond doubt that the average price will be more than Rs. 33 per kg. even during this year.

The hon. Minister has also gone to the extent of authorising the Tobacco Board to register the barns which were unauthorisedly constructed so that the crop that had been grown can be regulated and can be routed through the auction platforms only. The number of auction platforms had also been increased from 19 to 24 during this year in order to meet the demand.

When this is the situation and when the hon. Minister had given this much assurance to the farming community, the farming community had lot of hopes. Subsequently, the hon. Minister had also mentioned that he will visit again the area in the month of February, after the auction platforms are opened and when they start functioning. Sir, unfortunately, I do not know the reasons why the hon. Minister did not pay a visit again to Guntur to review the situation of the auctions that are going on.

Last year, the average price was Rs. 33 per kg and during last year, when the market was opened, it had started at a low price of Rs. 24 per kg. and gradually, increased even to the level of Rs. 40 to Rs. 45 per kg to the higher grades. Finally, the average price in Andhra Pradesh was Rs. 33 per kg. and in Karnataka it was Rs. 42 per kg.

Unfortunately, contrary to the last year's price trend, this year the market started at higher rate of Rs. 30 or Rs. 31 per kg; and gradually it started declining even to Rs. 24/- or Rs. 23/- also. The growers were caught in panic; and since prices are in downward trend, they started agitating that the Tobacco Board should come to the rescue of

[Prof. Ummareddy Venkateswarlu]

the farming community. This agitation was started by stopping buses and conducting *rasta roko*, etc. And looking at the plight of these people, we, as Members of Parliament, raised this issue on the Floor of this House. On the 6th of April, during Zero Hour, we drew the attention of the Government to the downward trend of the price of the tobacco and the agitation of the tobacco growers in Andhra Pradesh.

Besides that, on the 3rd of this month, we drafted a letter and thought of calling on the hon. Commerce Minister as well as the Prime Minister. That letter was signed by all the Members of Parliament. Then we sought an interview with the hon. Prime Minister, but, unfortunately, we did not get an interview with the hon. Prime Minister since he was very busy in the Plenary Session arrangement; and unfortunately, our hon. Commerce Minister was also away from the country and we could not even meet him. But we handed over this letter to the respective offices.

On 8th of this month, we called on the Deputy Minister of Commerce along with some of the growers who had come from Andhra Pradesh; and we had explained the situation. He had firmly assured us that he would look into the matter.

Right from 6th onwards, I have been daily contacting the office of the Tobacco Board at Guntur on telephone from this place. On 8th, the Executive Director of the Tobacco Board told me that the market price prevailing that day was around about Rs. 26 per kg. When he called a meeting of all the traders; and the traders seemed to have assured that about Rs. 30 per kg will be given. This is the impression that had been given to me by the Executive Director of the Tobacco Board. But unfortunately, the next day the price had gone down by another Re.

1 or Rs. 2; and it had gone down even upto Rs. 24/-. So, that was the attitude of the trade and the dismal that has been played by the Tobacco Board can be very well seen here. Even when the Tobacco Board itself had taken an assurance from the traders that the prices will be increased, the next day the prices had gone down by Re. 1 to Rs. 2/-. So, when that was the trend, when we asked the Board, they expressed their helplessness; they expressed their inability to convince the trading community.

MR. CHAIRMAN: According to the rule, you can ask for one or two clarifications on the Minister's statement. But you are making it a regular debate. Most of the things you are repeating what the hon. Minister has said. So, kindly ask for clarifications.

PROF. UMMAREDDY VENKATESWARLU: The hon. Minister in his statement has conveniently avoided certain facts. When he could mention about MSP and MGP, I do not know why he has not mentioned about MEP, minimum export price that is prevailing. This year, the MSP has been increased only by 7 to 8 per cent over last year; whereas the minimum export price has been increased by 50 per cent. This evidently shows that the traders are getting a very high price from the foreign countries when the tobacco is sold to foreign countries.

So, when a meeting of the Board of Directors was convened on the 23rd of this month, a resolution was passed that the Tobacco Board should also enter into the market; and the market intervention should be there even by the Tobacco Board to mop up the excess production of this particular year.

In the statement given by the hon. Minister, the resolution passed by the Board has not been mentioned. He only conveniently says that the traders have agreed to purchase tobacco for Rs. 32.50 per kg. Here a

resolution was passed on the 23rd of this month in the Tobacco Board that the Tobacco Board should enter the market and it should purchase the tobacco at the rate of Rs. 3.250 per kg. which has been calculated based on the MEP after deducting costs and other items including the losses. This has been unanimously adopted in the Board meeting. The Board sought permission duly requesting the Union Government to give Rs. 50 crores as revolving fund, interest free. This has not been mentioned here.

Unless the Tobacco Board enters and makes purchases to keep aside the surplus production, the prices will not prevail at Rs. 32.50. Just to tide over the present situation, the traders agreed upon to offer Rs. 32.50, they said that they would offer Rs. 30 on 9th of this month but offered only Rs. 26. So, they had failed on their promise earlier. In view of that, unless the Tobacco Board enters into the market, it will not at all be possible to stabilise the market prices. This should be taken into consideration.

The second aspect is Russian market. Twenty-eight thousand million kg. was a trade protocol, agreement signed. Only 15,000 million kgs. had been contracted so far. The rest of the 10,000 million kgs has not so far been contracted. Unless the Tobacco Board comes into the market, it will, not be possible to take away the surplus production and to stabilise the market. In the interest of the farming community, we will have to look at this respect.

I may also bring to the notice of the hon. Minister that the cost of cultivation had gone up by about 30 to 40 per cent this year. Due to hike in the price of fertilizer, hike in the price of coal and in all other charges like labour, the increase is about 40 per cent. On an average, this year the cost of cultivation has come to Rs. 30,000 to Rs. 34,000 per hectare. And the average production, which has been calculated by the Board, is about

ten tonnes per hectare. When it is ten tonnes per hectare, the cost of production per tonne itself comes to Rs. 3,000 to 3,400 on an average. When the traders are getting a very high price from the foreign countries, why should not the growers be given a major part of that particular price? It is only for this the farming community had gone on agitation.

You know, Sir, the growers themselves agitated and convened a meeting on 13th where the leaders of all the parties including Congress (i), CPI, CPM, BJP had attended. And we were convinced about their demand. The demand of the farming community is that the Tobacco Board should enter into the market. And this should be complied with. Also a sum of Rs. 50 crores should be given to them as revolving fund. The Tobacco Board must come to the rescue of the farming community.

SHRI G.M.C. BALAYOGI (Amalapuram): Mr. Chairman, Sir, I thank you for giving me this opportunity.

The Tobacco growers of Andhra Pradesh held a convention on 13.4.92 and passed certain resolutions. The hon. Minister's statement did not contain those resolutions. In this regard I would like to ask some clarifications from the Minister.

The demands of growers are:—

1. Immediate release of remaining 13 million Russian orders among the STC, small packers and traders.
2. The Central Government must press the STC into the market to purchase the Tobacco so as to create buoyance in the market.
3. The Government must also consider asking the Tobacco Board, Commercial Wing, to enter the market to purchase certain amount of Tobacco to

[Sh. G.M.C. Bala Yagi]

create competition and to stop exploitation.

4. The Tobacco Growers' Cooperative Union may also be given reasonable export order and the State Government should come forward to provide marginal money for the Cooperative Union.
5. The Tobacco Board should be reconstituted to increase the representation of the growers.

We request the hon. Minister to immediately intervene in the matter and call for an emergency meeting of Tobacco Board and the growers representatives along with the representatives of political parties to review the situation and to decide the future course of action.

SHRI SOBHANADREESWARA RAO VADDE: (Vijayawada): Mr. Chairman, Sir, without repeating what my colleague, Shri Venkateswarlu Ummareddy has stated, I would like to seek some clarifications from the hon. Minister.

Is it not a fact that the Tobacco Board and the Ministry of Commerce did not have a clear perception of the likely quantum of export of tobacco from our country this year? The hon. Minister while replying to a question which he answered on 23 August, 1991 to my colleague, Shri S.M. Laljan Basha, had stated that the estimated likely quantum of tobacco that may be exported is 74 million kgs.

The hon. Minister for Commerce stated on the floor of Rajya Sabha on 3rd December, 1991 that the Government is estimating that the domestic requirement will be 73 million kgs and the likely quantity of tobacco

that may be exported this season will be 85 million kgs. In the matter of four months, the Government has thought that the export quantum will be enhanced by another 10 million kgs.

You are well aware, Sir, as a *Kisan* that every other section is trying to exploit the farmers of this country and in this particular case it is the Commission and omission of the Tobacco Board that is primarily responsible for this sorry state of affairs which my colleague has narrated.

The hon. Minister when he came to Guntur, he said, 'our tobacco should not be sold at less prices than the tobacco from the other countries and we are happy that he has taken steps to enhance the minimum export price which will also have a bearing on the price that will be realised by the growers. Earlier our tobacco was being sold to the erstwhile Soviet Union at far less prices when compared to tobacco from other countries. We are happy that you have enhanced it by 50 per cent. for different grades. For example, you have increased it from Rs. 40/- to Rs. 63/- in one grade and, of course, similar increase in other grades also. In this connection, when the cost of cultivation has increased, as my friend has said, what difficulty the trade has to agree to pay the price which is not less than the last year's price, which you promised in the last week of December at Guntur.

In respect of Russia, it is 50 per cent, in respect of U.K. it is much more and in respect of Gulf countries - my information is subject to correction - it is more than Rs. 100 per kg. So, while that is the situation, there should be no problem for the Indian exporters or the cigarette manufacturers or the big companies to pay at least the price they have paid last year. Though you have given some figures that earlier it was Rs. 17 and last year they have given Rs. 33/-, which is all right. But have they given out of love? Do you

mean to say they have incurred a loss? I think, certainly not because of the readjustment of the value of the rupee in the international market because the dollar was fetching more rupees and in spite of paying the higher price to the farmers, these exporters, these big companies, these multinationals, the cigarette manufacturers were getting huge profits and very handsome profits also. This year with your benevolent decision of increasing the minimum export price, they have been benefitted. Myself and Dr. D. Venkateswar Rao met you and we discussed for a long time with you in your chamber. You talked to the Tobacco Board officials also. My submission is at present the traders have come forward to purchase at Rs. 32.50 per kg. for F-1 grade. Correspondingly, for F-2, F-3, and down grades, this will be far less - Rs. 26, Rs. 25, Rs. 24 and like that. The average price that can be realised will be far less than what the farmers had got last year. After all, it is the London Chamber of Commerce which has asked the Tobacco Board that they will be requiring so much huge quantity of tobacco this season, and believing their word, without any firm order, without any firm commitment, you have simply asked the farmers to raise more tobacco. Why should the Tobacco Board fail in bringing to task the London Chamber of Commerce and the exporters to U.K. and tell them that because they have given their requirement, the Government has asked the farmers to raise more tobacco? Why should the farmers of our country suffer? If they deceive our farmers like this, next year they will not be able to get tobacco from our country. Why not the Board say that? Why not the Government take them to task? Of course, I do not say that the Government has not done anything, but still more efforts are required to be made. You should say that Rs. 32.50 should be not for F-1 grade but it should be the average price. That means the upper grade must get higher price and the lower grade should get lower price, but the average price

should in no case be less than Rs. 33 or Rs. 32.50.

MR. CHAIRMAN: Please conclude now.

SHRI SOBHANADREESWARA RAO  
VADDE: I am just seeking some clarifications, Sir.

ITC said they want 54 million kg., the National Tobacco Company said they want 13 million kg. and the Golden Tobacco Company said they want 6 million kg. But what is that they have purchased till now? They have not purchased even twenty five per cent of their stated requirement. They want to purchase at very very throw away prices. Their profits are bulging but they want to cheat the farmers, they want to exploit the farmers. The farmers will not tolerate this kind of exploitation. I submit to the hon. Minister to use his good officers. If he still exerts some more pressure on the Traders Through Tobacco Board, they have to purchase. They have no other option.

There is an Andhra Tobacco Growers Cooperative Union, Ongole which has played a constructive role in times of some crisis which had occurred earlier also. They have entered the market, they have paid higher price for the tobacco. Just because of their entry, because of their participation, these big companies also are forced to pay higher price. In that way, to some extent, the interests of the tobacco growers were protected by the Andhra Pradesh Tobacco Growers Cooperative Union, Ongole. The Tobacco Board has recommended to you that out of the balance ten thousand tonnes order to be placed by Russia at least two thousand tonnes should be given to the A.P. Tobacco Growers. Of course, in our presence, you also instructed the concerned officials to use their good offices to see that that Russian Federation is given two thousand tonnes. I

[Sh. Sbandareeswararao Vadde]

once again urge upon you, through the Chairman, that that should materialise.

You were also earlier somehow not convinced about establishment of tobacco trading corporation. When there is Tea Board, there is Tea Trading Corporation why you are were not so agreeable to setting up of a Tobacco Trading Corporation? Tobacco products are giving Rs. 2600 crores to your exchequer and you are getting nearly Rs. 200 crores to Rs. 300 crores in foreign exchanges. Always only at times of crisis, the farmers make a lot of noise and then, to some extent the Tobacco Board or the STC may enter the market. But there is no fool-proof arrangement to protect the interests of the tobacco growers, because of whose efforts you are getting so much income. This is the item which is giving highest revenue to the Central exchequer - Rs. 2600 crores per year. Then why do you leave it to the mercy of the traders? Why don't you either amend the Tobacco Board Act or set up a Tobacco Trading Corporation to take up commercial operations, commercial purchases? Already we are having all necessary infrastructure with our Tobacco Board. The officials are there; the scientists are there; the technicians are there. Very eminent people are there. You utilise their services. That will definitely help the tobacco growers in coming over certain crisis.

Sir, I also want to seek a clarification from the hon. Minister. The recommendations of the Tobacco Board for minimum export price is approved by the Government. It is O.K. But why do you ask the C.A.C.P. people to give minimum support price? You know that this C.A.C.P. recommended the minimum support price of Rs. 16 per kilogram. As a wheat farmer, as a rice producer you know that their recommendations are not at all relevant to the factual position. They proceed on statistics which were col-

lected five years back and for that they will simply add some percentages and do some calculations and they will then recommend some price to the Government. When you think it fit that the Tobacco Board is competent to recommend minimum export price, why do you not delete the power of recommending minimum support price from the C.A.C.P. and ask the Tobacco Board to recommend the minimum support price? It should be done because they are the people who are at the root of the problem; because they are on the field and they will be in the best know of the things as to what is the cost of cultivation, what are the sufferings of the farmers, what is the average production in different areas. They are the best judges rather than the C.A.C.P. which is located in Delhi. This organisation is absolutely - this is not the forum and you do not give me the time and this is not the right occasion; but I am very confident with my little experience with this organisation - not competent nor it is doing any service to the farmers. I, therefore, urge upon the hon. Minister to bring a change in respect of the minimum support price.

I want to bring one more point to the attention of the Government and to the notice of the hon. Minister. You have increased the minimum export price by 50 per cent. But my information is that the Russians have agreed to pay 8 per cent more than the minimum export price which the Government has recommended. In view of these facts my humble submission is that you must - and you should, because you have promised (*Interruptions*) he has kindled the hopes of the farmers, of the tobacco growers that they will get a price not less than the price they have arrived last year - do something. I, therefore, urge upon the hon. Commerce Minister to see that the average price of Rs. 33 is given to the farmers and until such time the farmers will not be satisfied. This year - unlike in the previous year - the main responsibility is on year shoulders, because it is on



your advice they have grown more tobacco. That means, the Tobacco Board, which is your body - which is our body - is responsible for this enhanced tobacco production. You must not shirk your responsibility and should see that the average price of Rs. 33 per kilogram is given. With these words I thank you for giving me the opportunity.

MR. CHAIRMAN: Would the hon. Minister be pleased to reply?

SHRI P. CHIDAMBARAM: Mr. Chairman, I am grateful to the hon. Members, Dr. Ummareddy Venkateswarlu, Shri Balayogi and Shri V. S. Rao for raising this subject and calling the attention of the Government to the resentment amongst tobacco growers in Andhra Pradesh.

Much of what we have discussed today was discussed in my office when Shri Rao and his colleague Shri Venkateswara Rao called on me a couple of days ago. I run an open office. There is no secret in what we do. In his presence, I spoke to the Tobacco Board; I spoke to various officials; accepted some of their suggestions and gave certain instructions. Actually, among the three Members, at least Shri V.S. Rao knows what I have done in the last few days and he is fully aware of the steps we are taking.

Let me deal with some of the issues which have been raised. The first is about the crop size. Last year the size of the crop was 89 million kilogrammes. There was a sudden spurt in demand last year. Russians bought more than what they had envisaged in the Protocol and, also, international prices went up sharply as against an average price of only Rs. 14.69 in 1990 and a price which never exceeded Rs. 17 in any year in the past.

Last year the average price at the end of the season which is approximately 19 or 20 weeks was Rs. 33 per kg. The prices of tobacco in Karnataka are much higher than

the prices in Andhra Pradesh because Karnataka grows tobacco in light soils and that has a wider international market. Even in Andhra Pradesh, Sir, the problem is not about all tobacco, it is about black soil tobacco: the light soil tobacco is still being sold today, eight auction platforms are functioning and the farmers are getting an excellent price for light soil tobacco and the hon. Members are aware of that. But the problem is about black soil tobacco. So, when prices go up, we are aware, Sir, there is a natural tendency for farmers to say that 'since prices have gone up this year, let me grow tobacco next year'. The demand from farmers, they aggregate demand for registration came to 133 million kg this season. The Board initially recommended 145 million kg. crop size. We intervened and said, there are developments in the Soviet Union which are rather worrying and therefore, it may not be wise to have such a large crop size and it is at the instance of the Ministry of Commerce that the size was reduced and finally what was authorised was 124.83 million kg. Eventually, the crop turns out to be about 122 million kg.

But let me recall what happened in this hon. House on the 23rd of August 1991. One hon. Minister said, and I quote him: "The traders have brought a lot of pressure on the Tobacco Board as well as on the Production Committee to increase the quantity of tobacco to be produced which is detrimental to the interests of the farmers. Will the Government reconsider and take appropriate steps to see that this original target of 120 million kg is adhered to? I would like to know from the hon. Minister whether the Government will consider etc. etc." This request that 'we should adhere to a target of 120 kg alone' was made by none other than Shri V.S. Rao.

SHRI SOBHANADREESWARA RAO VADDE: Mr. Chairman, Sir, I am very happy the hon. Minister referred to it. In the short time which was given by you I did not mention that.

MR. CHAIRMAN: You come to the point.

SHRI SOBHANADREESWARA RAO VADDE: I am coming to the point. It is in the Tobacco Board it was resolved for 120 million kg and later the Production Committee has enhanced this to 145 million kgs whereupon during that Supplementary Question I asked your goodself to consider to reduce this production target because that 145 million kg would play havoc with the tobacco growers. (*Interruptions*)

SHRI P. CHIDAMBARAM: Therefore, Sir, he asked me: "Will you adhere to the original plan of 120 million kgs?" I said, "Yes, we will keep in mind the demand by the growers for registration, people who want to grow tobacco, I will keep in mind what is possible to be sold in the country and exported, and I will fix the final crop size and the final crop size has been fixed more or less at 120 million kg, we fixed it at 124 million kg and the eventual crop size is only 122 million kgs. Now, Mr. V.S. Rao cannot turn round and ask me: "Why did you fix 120 million kgs?" 120 kgs. has been fixed based upon what growers demanded, what export potential was there and what can be sold within the country and I think the decision to fix it at 120 million kg. was right and I think Mr. V.S. Rao was right in asking me to fix it at 120 million kg.

At that time what did we contemplate as export? In 1990-91 the export of Flue Cured Virginia tobacco was 47,000 tonnes. In 1991-92 the export was 50,438 tonnes. Out of 50,438 tonnes, Russia, the erstwhile Soviet Union accounted for about 16,000 or 17,000 tonnes. This year, Russians have signed a protocol for 25,000 tonnes. If we sell that 25,000 tonnes, which is approximately 40 per cent of what we intend to export, there would be no problem at all. In fact, there was no problem until the seventh week of auction. Until the seventh week of auction, the average price was Rs. 30.37 this year,

compared to only Rs. 30/- last year. So, until the seventh week, there was no problem at all. The Russians came to India in the seventh week and it was hoped that they would contract for 25,000 tonnes. Unfortunately for reasons which are rather well-known, they contracted only for 15,000 tonnes. This immediately sent a signal which has brought about a decline in prices. They have not contracted for the remaining 10,000 tonnes and what is even more disconcerting is that they have not even opened letters of credit for the 15,000 tonnes and I am working on it to see how I can get over the difficulty. I shared all this with Mr. V.S. Rao. The problem is a temporary problem. The problem is, we are export-dependent on the Soviet market and we have been so far the last several years. This is not something which I can overcome in one year. Over a period of time, we will widen our market, but it cannot be done overnight. The problem is a temporary problem. If the Russians open letters of credit for the 15,000 tonnes which they have contracted and they further contract for the remaining 10,000 tonnes, he knows, I know and everybody knows, the market will shoot up. The problem now is of trying to help the Russians to tide over their present difficulties. While I cannot give the details at the moment, we have sent messages to the Russian Government proposing certain ways of overcoming the difficulties, offering to help them to contract for the remaining 10,000 tonnes and offering to help them open letters of credit for the 15,000 tonnes they have contracted. I have just got a message that the Russians are coming. They will, perhaps, come to Delhi and proceed to Guntur and it is possible this problem will be overcome.

Sir, as far as the prices are concerned, as I said, from the seventh week onwards, there has been a decline in the price. In fact, Sir, in the last week, at my instance the Tobacco Board convened an emergency meeting of the Tobacco Board. Dr. Um-

mareddy Venkateswarlu in one breath refers to the Tobacco Board in the third person and in another breath he refers to a resolution passed in the Tobacco Board. He is Tobacco Board, he is a member of the Tobacco Board. What is Tobacco Board? Tobacco Board is not building, cement, mortar, brick and door frames. Tobacco Board is the collective body of members. He is the Member elected by this House to be a member of the Tobacco Board. It is a collective body. So, if the Tobacco Board takes a decision, he cannot distance himself from that decision if it is a bad decision and he cannot associate himself with that decision if it is a good decision. He is a member of the Tobacco Board and I am the Minister in-charge of the Tobacco Board. But, we want the Tobacco Board to function as a body, we do not want it to function as some kind of a consultative committee to the Chairman. In fact, in my first meeting I said, 'you are a collective body, you must function in a collective capacity, you must take decisions collectively.'

Now, Sir, what has happened in the last week? The Tobacco Board, has grower members, trader members and they have met together. I think, many of them are known to each other for several years. Some of them even come from the same village and they talk to each other. Finally, the traders have offered to give, for F1 grade, Rs. 32.50 per kg. I agree that the average does not work to exactly Rs. 32/-. On the basis of Rs. 32.50 per kg. and proportionate prices, my calculation shows - and I may be wrong by a few decimal points here and there - that the average will work out to something like Rs. 31.20.

PROF. UMMAREDDY VENKATEWSWARLU: Sir, since the hon. Minister has mentioned about the Tobacco Board and its decision taken on the 23rd, I would like to make a point very clear. *Suo motu* the traders have not come forward to offer Rs. 32.50. We including all the repre-

sentatives from the grower community as well as the trader community, have worked out the costs taking MEP as the base, deducting all the losses and also the expenses and finally arrived at a figure of Rs. 32.50 as a workable price. The 8 per cent being offered over and above the MEP by the Russian country is deleted towards the profit of margin to the traders. So, when a resolution has been passed that the Tobacco Board would intervene and purchase based on MEP at the rate of Rs. 32.50 duly seeking permission from the Union Government, then the ITC has come forward to purchase at Rs. 32.50 per kg. of F 1 grade but not all the other grades. Hence, it is not an average price. Then, the other trader-Members who were also present there, also came forward saying that if the ITC has come forward, then we would also purchase it at Rs. 32.50 Till such time, they did not come forward. We, therefore, request the Union Minister to see the implication in it. When it has been decided that the Tobacco Board will also be there in the market, then they came forward. If the Tobacco Board is not going to be there, I am damn sure that these prices will not prevail. Even if they are going to offer these prices and that too only for F.1 grade, for a few days later they will not stick on to these prices and the cultivators, the growers will once again be thrown at the mercy of the trading community.

SHRI P. CHIDAMBARAM: These are rather alarmist statements. I said very clearly that the offer for F.1 grade is Rs. 32.50 I also said that for the lower grades, it is proportionately less. If you take a price of Rs. 32.50 for F.1 Grade and if you work out proportionate or suitably - adjusted price for the lesser grades, I said, according to my calculation, the average price depending upon the quantities which arrive at the auction platform would be approximately Rs. 31.20. This is what I said. I do not think the hon. Member has found anything wrong with what I have said. The point is, is this Rs. 31.20 a good

[Sh. P. Chidambaram]

price? If you compare it with the Minimum Support Price worked out by the Committee on Agricultural Costs and Prices, it is much more. As I have said in my statement, the CACP price is only in the range of Rs. 16/- per kg. I am not saying that this is the last word on the subject.

Now, the point is there is a body which has worked out the cost of cultivation and has commanded a price. The price which is offered is much higher than the CACP price. I am not saying that I would support the tobacco growers selling their tobacco at CACP price. I know that these prices are depressed prices and they have no relevance really to what is happening on the ground. But you cannot ignore it as a totally irrelevant figure. It is a point to start the discussion. The minimum guaranteed price is something which the tobacco growers and the tobacco trades arrive at by way of an informal understanding before the start of the season. The range of that price is from Rs. 18.50 to Rs. 21.50 per kg. That again does not quite adequately reflect the full cost of cultivation. But again you cannot dismiss it as totally irrelevant. Keeping this as a benchmark, the price of Rs. 32.50 offered for F.1 grade today leads, in my calculation, to an average of approximately Rs. 31.20...

SHRI SOBHANADEESWARA RAO  
VADDE: It will be far less.

SHRI P. CHIDAMBARAM: Unless you give me a different calculation. Given the fact that the Russians have so far not been able to open the LCs or contract for the remaining 10,000 tonnes, I think it is a good starting point for auctions to resume. It is a good starting point for auctions to resume. That is why I made an appeal last Saturday to the tobacco growers that those who are willing to sell their tobacco may come to the auction platform and today the auction platform

resumed in the black-soil area and at least - in one auction platform I am told by noon or at 1 O' Clock today that 350 bales of tobacco have been brought and have been sold. Now we are not pressurising the farmers to sell their tobacco today. In fact, if you will kindly allow me to place the figures, last year by about this time 75 million kilograms were sold. This year we have sold only 53 million kilograms. Why? It is because the Tobacco Board has advised the growers to proceed with caution. We are not pressurising them to sell the tobacco. But we think that with the present offer, it is possible to resume the auctions and restore normalcy. In the next few days, it is my hope that Russians will open LCs for 15000 tonnes of tobacco and contract for the remaining ten thousand tonnes of tobacco.

One other point is about the Tobacco Board doing market intervention operations. I have allowed the Tobacco Board to do it provided it has the funds to do it. Tobacco Board is a collective body. If they have the funds, if they wish to enter into market intervention operation, they need not ask for my permission. In fact, that is not the way I function. I want the Tobacco Board to take autonomous decisions. When they ask me for Rs. 50 crores interest free...*(Interruptions)* You have asked your clarifications. Please allow me to continue.

If they ask for Rs. 50 crores interest free, I would immediately turn to the Finance Minister and ask for Rs. 50 crores interest free. These are not matters which can be decided overnight. We will look into the matter. The resolution has come to us. We will look into the matter. But it will not solve the problem today, tomorrow or the day after. On the contrary, what I have done is, I anticipated the problem because of the larger crop size this year, and several weeks ago, I spoke to the Reserve Bank and we have persuaded the banks to enlarge credit. For example, the United Commercial Bank which

was not in the picture earlier, has come forward to extend a credit of Rs. 100 crores. I am told, it has already advanced approximately fifty crores of rupees.

Sir, the key really is the export markets. This is what I want to conclude with. Hon. Member referred to MEP. Why did I raise MEP by fifty per cent? I gave him the reasons. I do not think he wants me to tell him the reasons publicly. We raised the MEP for a particular reason. He acknowledged to me that it is a good reason. He congratulated me for raising the MEP. But MEP is relevant only if exports take place. MEP has no relevance if export does not take place. Only when the Russians open the LC, MEP is relevant. MEP is relevant only if they contract for the remaining ten thousand tonnes. I am ready with MEP. The moment the Russians open LC for 15000 tonnes and contract for ten thousand tonnes, you will find the wisdom of raising the MEP. MEP in a vacuum has no meaning. Today what we are trying to do is, Since we are export-dependent, we have been export-dependent in the Russian market, we are export-dependent elsewhere also, we have to persuade the Russians to come and open the LC and enter into further contracts, I am confident that this could be done in the next few days. We are straining every nerve. We are using every facility that is available to us to persuade the Russian to come into the market.

Yet another thing must be kept in mind that Indian tobacco has always received the price far lower than comparable tobacco prices of other countries in the world. In fact, at Guntur, at the Tobacco Board meeting, I raised this question. I have now asked for a study of international prices not only of tobacco but of tea, coffee and tobacco to find out why Indian primary products do not receive full value as the products of other countries. For example, our price is one-third of the US tobacco price, our price is one-half of the Zimbabwe's price. Today

world prices have collapsed and crashed and because of last year's high price every country has increased the acreage. Prices have collapsed. Zimbabwe has devalued its currency price by 35 per cent. It is offering at a cut rate price. If prices of tobacco of other countries come down, Indian prices also come down correspondingly. That is a larger question, one has to keep in mind. The fact that we are in an international environment, competitive environment. Nobody sitting in Delhi or anywhere for that matter can assure a price. In fact, hon. Member Shri Rao said that I had assured a price. I may read out from the discussion held on the 23rd August. What I said was, "this high price is indeed very good for the tobacco growers". But one cannot say in terms of intense competition in the world that the price will always remain at Rs. 33. He did not demur then. He understood the logic of this argument.

SHRI SOBHANADRESWARA RAO  
VADDE: I referred to your assurance at Guntur.

SHRI P. CHIDAMBARAM: I still maintain that. I cannot go to Guntur and say that I assure you, I will not maintain the price of last year. All I can say is I assure you that I will do my best to maintain the price. I give you that assurance even today. I am doing everything possible to maintain the price. I am doing everything possible to get a fair price. But I cannot guarantee a price in an intensely competitive environment and in an intensely competitive product.

He asked me to place orders upon the Andhra Pradesh Cooperative Union and instructions were issued. He told me that STC should buy and instructions were issued to STC in his presence. STC has been told to buy. Andhra Pradesh Cooperative Union has been told, they can buy and we will try to see whether we can ask the Russians to place some contract with them. Everything possible is being done. And it is

all a Government can do. But in a world of intense competition, when international prices are low and when we have a serious difficulty with the Russian contract, I would appeal to hon. Member not to politicise this matter. In fact, there is a certain amount of politicisation going on in Andhra Pradesh. And that I think is not good for the farmer. If the tobacco lies in the farm or in the barn or in the yard for too long, it becomes dry, it will lose weight and it will fetch a lower price. You are aware of this, it is the case with any other crop. I am not pressurising them to sell. But I think those who are ready to sell, they must be allowed to come and sell. We must not take into account unit value alone. Take farm return, for 89 million Kgs at an average price of Rs. 33 and 120 million Kgs this year at an assumed average price of Rs. 32. Look at the total income which the farming community gets today. You cannot look at unit value per Kilogram. You have to look at it as farm value, farm income. And I am confident that prices will stabilise, if we can get over the temporary difficulties. I assure the House, once again, that we are determined to do everything possible to stabilise prices and I appeal to hon. Members to cooperate in helping the farmers get remunerative prices.

Thank you.

MR. CHAIRMAN: From what I gather, they seem to be agitated about the fact that the gap between the Auction purchase price and the export price was very big thereby the farmer was losing and the trader was gaining. You have not said anything on that.

SHRI P. CHIDAMBARAM: I think there is a mistake here. The minimum export price includes transportation charges, buying expenses, Tobacco Board Service charges, re-drying, stripping, loading charges, handling loss, carrying cost, F.O.B. charges etc. They have calculate it. From the MEP, these expenses are deducted. Then 28 per cent is deducted as processing loss, then value

realisation on by-products is added and they have given me a calculation by which, according to them, it is possible to pay a price of Rs. 34 to Rs. 34.75, on a no loss on profit basis to the trader. Now the trader is today offering Rs. 32.50. If I understand my learned friends, their case is that the trader can go upto Rs. 34.75 and why is he offering only Rs. 32.50? The answer is two-fold.

Firstly, Rs. 34.75 is on no loss no profit basis. No trader is going to offer a price without a profit for himself, So one has to provide a profit margin. Secondly, as I said a little while earlier, this is relevant only if the Russians pick up the Tobacco and open an LC. This MEP is relevant really for the Russian contract and that accounts for 40-50 per cent of our exports. The moment the Russians open the contract for the remaining 10,000 tonnes, and open an LC for 15,000 tonnes, I cannot give an assurance, but I am confident that the prices will improve over Rs. 32.50. I am waiting for that the happen. I hope it will happen today; I hope it will happen tomorrow. But we are doing everything possible to make sure that happens.

SHRI SOBHANADREESWARA RAO VADDE: Sir, Just only one thing.

MR. CHAIRMAN: No, we have already spent an hour on this.

MR. CHAIRMAN: Now the Bill to be introduced.

SHRIMATI MALINI BHATTACHARYA (JADAVPUR): SIR, I HAVE A POINT ON THE INTROUCTION OF THIS BILL. SEVEN YEARS HAVE PASSED SINCE THE BILL WAS MADE INTO AN ACT.

MR. CHAIRMAN: Are you objecting to the introduction of this Bill?

SHRIMATI MALINI BHATTACHAR-  
AYA: But, nothing has been done so far.

MR. CHAIRMAN: This is not the right time to discuss that. The Bill is being introduced. If you have any objection to the introduction of the Bill you should have given a notice on that.

SHRIMATI MALINI BHATTACHAR-  
AYA: I would request the Government not to bring this amendment in a piecemeal manner; but to consider a wholesale revision of the Act.

MR. CHAIRMAN: The Minister may now introduce the Bill.

15.56 hrs.

BHOPAL GAS LEAK DISASTER (PROC-  
ESSING OF CLAIMS) AMENDMENT  
BILL\*

[English]

THE MINISTER OF STATE OF THE  
MINISTRY OF STEEL (SHRI SONTOSH  
MOHAN DEV): Sir, on behalf of Dr. Chinta  
Mohan, I beg to move for leave to introduce  
a Bill to amend the Bhopal Gas Leak Disas-  
ter (Processing of Claims) Act, 1985.

MR. CHAIRMAN: The question is:

"That leave be granted to introduce  
a Bill to amend the Bhopal Gas  
Leak Disaster (Processing of  
Claims) Act, 1985".

*The motion was adopted*

SHRI SONTOSH MOHAN DEV: Sir, I  
introduce the Bill.

MR. CHAIRMAN: The House shall now  
take up matters under Rule 377.

15.57 hrs

MATTERS UNDER RULE 377

- (i) **Need to solve expeditiously the  
border dispute between Mahar-  
ashtra and Karnataka**

[English]

SHRI UDAYSINGRAO GAIKWAD  
(Kolhapur): The 35 years long pending bor-  
der dispute between Maharashtra and Kar-  
nataka is a matter of great public concern.  
The Union Government intends to solve the  
issue with the participation of both the Chief  
Ministers. But the inordinate delay has caused  
great resentment among the Maharashtra  
and Karnataka People. On the other hand one  
MLA in Karnataka has declared for self  
immolation on the Hutatma Day being or-  
ganised by Karnataka, under the banner of  
Maharashtra Ekikaran Samiti.

The Government while solving the is-  
sue must regard the village as a unit, so that  
justice may be done to both the States. I  
request the Union Government to take expe-  
ditious steps to solve the border dispute  
between Maharashtra and Karnataka.

SHRI PRITHVIRAJ D. CHAVAN  
(Karad): I associate myself with this request  
Sir.

SHRI RAM NAIK (Bombay North): Why  
you alone? The entire House.

- (ii) **Need to set up Railway Coach  
factory in Kerala**

SHRI P.C. CHACKO (Trichur): It has  
been the long pending demand of the Gov-