

[15 May, 2000]

RAJYA SABHA

(b) if so, the reaction of Government thereto; and

(c) the measures proposed to ensure that tobacco farmers are not exploited and blackmailed by Indian cigarette manufacturers?

THE MINISTER OF COMMERCE AND INDUSTRY (SHRI MURASOLI MARAN): (a) Yes, Sir.

(b) No change is contemplated in the present practice of not permitting FDI in tobacco sector. As per the present practice, registration of foreign buyers for participation in the auction platforms is also not permitted by the Tobacco Board.

(c) State Trading Corporation of India Ltd. (STC) has at the directive of the Government, Commenced market intervention in the Andhra Pradesh tobacco auctions to impart buoyancy to tobacco prices in a situation of over-supply.

Crop Holiday for Tobacco

*685. SHRI YADLAPATI VENKAT RAO: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Chief Minister of Andhra Pradesh has urged the Central Government to declare crop holiday for tobacco all over the country for the year 2000-2001;

(b) if so, the other suggestions given by him, and

(c) the action taken thereon?

THE MINISTER OF COMMERCE AND INDUSTRY (SHRI MURASOLI MARAN): (a) to (c) A statement is laid on the Table of the House.

STATEMENT

(a) Yes, Sir.

(b) The suggestions made by the Chief Minister include:

- (i) Declaration of Crop Holiday all over the country for the next season i.e. 2000-2001;
- (ii) Ensuring purchase of 103 Mkgs. Indented by traders, exporters and manufacturers immediately;
- (iii) Purchase of the remaining excess tobacco by STC of India.

- (iv) Exploring the possibilities for exporting Indian tobacco to other countries like Russia.

He has also drawn attention to the representation of growers, traders and manufacturers suggesting some long terms measures.

- (c) (i) The tobacco Board has decided not to undertake registration of crop in Andhra Pradesh for the time being.
- (ii) Government has held a meeting with traders, exporters and manufacturers to ensure purchase of the indicated requirements of the crop being auctioned in 2000. A meeting of RBI, nationalised banks, ECGC, exporters of tobacco and small dealers was held at Hyderabad on 22.2.2000 and a request was made to the bankers and RBI to consider fresh credit limit/additional limits for purchase of tobacco in the current year.
- (iii) STC has been instructed to commence market intervention operations and have already commenced purchases since April 2000.
- (iv) Exploring export markets is an ongoing exercise. So far two delegations have been sent to prospective markets including To Russia.

DR. Y. LAKHMI PRASAD: Sir, protests and agitation by tobacco farmers for remunerative prices have become a common and regular feature it has become difficult for them to earn their livelihood. The Govt, of India, with its liberalisation policies, had permitted FDI. up to 49% of equity by M/s R.J. Reynolds of USA In the Indian cigarette industry sector during the early 90's, for purchase of tobacco, exports of tobacco, as also for cigarette manufacturing. The Government had also allowed FDI by Standard Commercial up to 49% of equity for purchase of tobacco at the platforms, processing and export of tobacco in 1998-99. But the hon. Minister in FDI in the tobacco sector. As per the present practice, registration of foreign buyers for participation in the auction platforms is also not permitted by the Tobacco Board. I am afraid the officials may have misguided the hon. Minister. Because my information is that FDI is allowed in the case of Reynolds Company. It is a part (a) of my question. Part (b) is, in so many sectors, the Government of India is allowing FDI; why not in tobacco, Sir? It is a question of farmers. It is request from the Govt of Andhra Pradesh, it is a request from the Chief Minister, it is a request from the MPs, it is a request from the MLAs

[15 May, 2000]

RAJYA SABHA

and farmers. So, what made the Government of India not to allow FDI in the tobacco sector?

SHRI MURASOLI MARAN: Sir, tobacco sector means many things. For example, what is tobacco sector? Does it mean "the field, the agriculture"? No FDI is not allowed in agriculture. Then what does it mean? Can foreign companies complete on the auction platforms? Sir, if it is a foreign company, there is no objection. But so far, the practice is, nobody has come to participate in the auction, in the sense, foreigners do not want to deal with every farmer individually. Then, tobacco sector also means, cigarettes. So, the practice is, we are not permitting FDI more.

DR.Y. LAKHMI PRASAD: Sir, the hon, Minister in his reply to part(c) of the question has stated about the market intervention by State Trading Corporation of India. The State Trading Corporation's intervention also is not helping the growers, as industry and trade are not paying prices above the STC prices. STC's purchases are restricted to 150 bales per day per floor. Further, exporters are buying only 5 to 6 bales per day at each floor at every low prices, thereby forcing arrivals of tobacco below 200 bales per floor per day at the auction platforms in Guntur, Krishna, Khammam & East Godavari Districts, as against the normal arrivals of 1000 bales per floor per day in the past. So, what steps the Government is taking to help the farmers in this situation? Is the Government going to canalise all tobacco exports to Russia against debt repayment through the STC, to teach a lesson to the defaulting exporters and dispose of the tobacco stocks of 25,000 tonnes lying with the State Trading Corporation, the Andhra Pradesh Tobacco Growers' Union, Ongole and the dealers of tobacco?

SHRI MURASOLI MARAN: Mr. Chairman, Sir, the Government has intervened through the STC in a big way. For example, the sale at the Andhra Pradesh auction platforms till 12.5.2000 was 7.75 million kgs. Sir, the sale is very slow, there is sluggishness. There is reluctance on the part of the traders because there is unauthorized tobacco. There is a large inventory of the past, there is over supply of tobacco Sir, we are doing our best. We are sending delegation to Russia and other places to find a market there. I would like to assure the hon. Member that we are doing our best.

SHRI YADLAPATI VENKAT RAO: Sir, tobacco has been exempted from excise duty in Assam and Tripura. I would like to know whether this decision would be implemented in Andhra Pradesh also. I would also like to

know whether the Government proposes to raise the limit of FDI in tobacco companies. If so, please give the details.

SHRI MURASOLI MARAN: Sir, I have already answered this question. What do they mean by the tobacco sector? That is a very important question. Nobody prevents them from coming and participating in it.

SHRI YADLAPATI VENKAT RAO: Sir, tobacco has been exempted from excise duty in Assam and Tripura. What about Andhra Pradesh?.

SHRI MURASOLI MARAN: Sir, I will talk to the Chief Minister of Andhra Pradesh.. It comes under his jurisdiction. If it is going to help the tobacco sector, I will talk to the Chief Minister.

SHRI PRANAB MUKHERJEE: Sir, this problem has almost become a recurring problem especially after the collapse of the Soviet market which used to consume a substantial quantum of Andhra tobacco. This problem has become more acute. As the hon. Minister has stated, the STC is reluctant and procurement is taking place at a slow pace, for obvious reasons. The STC is expected to apply its commercial judgement. The Government is not going to bear the losses of the STC. The STC has already accumulated some losses. This problem is going on. Let the Minister assure them that if they buy on the Government account, the Government would compensate them for their losses. Then only the situation would ease to some extent. But the burden would come on the Government. Therefore, this is not an easy solution to the problem. If you ask them to apply their commercial judgement, naturally, by application of commercial judgement, their intervention may not be that effective as the Minister wants. I would like to know from the hon. Minister whether the Government could supply a certain quantum of tobacco to Russia through the debt repayment route to help the farmers of Andhra Pradesh. This agreement was arrived at when Dr. Monmohan Singh was the Finance Minister. It was done under a larger rupee-rouble agreement. It was suggested that we would supply certain commodities to Russia through the debt repayment route. Tobacco was supplied in a substantial quantum. I would like to know whether that route is still effective and tobacco is being lifted by the Russian entrepreneurs by taking advantage of this route.

SHRI MURASOLI MARAN: Mr. Chairman, Sir, I am thankful to the hon. Member for raising this point. This route is there. But the pity is, everything has collapsed in Russia. The multinationals are coming here. But they are not

[15 May, 2000]

RAJYA SABHA

buying tobacco. The buying process has not started so far. A tobacco trade delegation, including STC representatives has visited Russia to explore opportunities for the export of tobacco. We are still exploring the opportunities. We are persuading them. The Russian Commerce Minister came here. But the point is, there is unauthorized tobacco, over production of tobacco. They are allowed to produce 101 million kgs. of tobacco. Out of which, 30 million kgs is for the purpose of export and 16 million kgs. is used by cigarette producer. But they have produced 40 million kgs. in excess. That has become a problem. There is oversupply of tobacco. Our market has also collapsed. This is a big problem. We have to find a short-term solution or an immediate solution or a long-term solution to the problem. We are at it.

SHRI M. VENKAIAH NAIDU: Mr. Chairman, Sir, normally I am in the habit of putting crisp questions and I would like to continue this practice throughout my tenure. But, today, the situation is such that this is a matter which is really agitating the minds of the people of entire Andhra Pradesh as well as Karnataka. I would like to bring to your notice—the Minister is also aware—that the farmers, being frustrated by the situation created by the traders, have voluntarily come forward to go for a crop holiday. Sir, we all know that for the farmers who are producing tobacco, there is no scope for an alternative crop in those areas. Twelve districts of Andhra Pradesh have, voluntarily, opted for it. Normally, if any body had suggested that the farmers should go in for a crop holiday, then there would have been a wide protest from them. But this time it is different. I have some knowledge about it because I hail from that area and I am also a Member of the Tobacco Board. We are in constant interaction with the Government and the Minister. We are thankful to the Minister and the Government that they have agreed to press in STC into the market to create buoyancy. They did it last year, and they are doing it this year also. But the crux of the problem, as the Minister has rightly said, is maintaining the crop-size and taking severe action against unauthorised crops; the second thing which is a very important issue and where the Government should focus its attention is that the traders are exploiting the situation. Before every crop, there would be newsitems saying, The market is very good in Egypt, Brazil and Russia and others are likely to come from these countries. The kind of stories are spread. But, at the end of the crop, before the harvesting starts, there would be newsitems saying, No, no, the market is not good; Brazil is not going to

purchase it; Egypt is sulking, the economy in Russia is collapsing, and so on. Sir, an ordinary farmer is not that intelligent, and when such things are spread, they go in for a distress sale. There, the STC enters the market to create buoyancy. As rightly said by Pranabji, last year, the STC entered the market and purchased tobacco. But the stock is still lying with the STC. That is why they are hesitating now to go in a bigger way. That being the case, part(a) of my supplementary is: Will the Government take initiative to see to it that it interacts with Governments of Egypt, Brazil and other countries to have a Government-to-Government deal of selling and purchasing this tobacco without depending on the exporters? The second part of my supplementary is regarding the measures proposed to be taken to ensure that the tobacco farmers are not exploited and blackmailed by the Indian cigarette manufacturers. I would also like to know what suggestions have been given by the hon. Minister and what action has been taken thereof. On this point, there are two specific things. One is, the Government wanted to create a Price Stabilisation Corporation, like that of the Corporation which is existing in America, where the farmer will contribute one paisa or half-a-paisa, the trader will contribute half-a-paisa, and one paisa would, come from the cigarette manufacturers. In this way, there would be a stabilisation fund, and, as and when there is a setback in the market, this Corporation can enter into the market, purchase tobacco and this save the farmers from distress sale. Is the Government seriously considering this? This is No. 1. The second point is that the Tobacco Board, should be given adequate powers. Today, under the present powers of the Tobacco Board, it cannot take punitive action either against the traders or against the farmers. They have to refer the matter to the Government of India which, again, would refer it to the Law Department. And all this takes a lot of time. We made a specific representation to the hon.-Minister and also to the hon. Prime Minister requesting that the Tobacco Board Act should be strengthened further to give teeth to it, to enable the Board to take action against the erring traders and also the farmers.'

Sir, I have taken a lot of time; I am conscious of it. At the same time, since the issue is so much agitating the minds of the farmers that I was forced to take a long time. I would like the Minister to respond to my points.

SHRI MURASOLI MARAN: The hon. Member knows everything about the Tobacco Board because he himself is a Member of the Tobacco Board, besides being a prominent leader in the ruling party. Sir, firstly, he mentioned about crop holiday. Crop holiday means stopping the production, which may be counter-productive also. My advice is that it is not good for the purpose of

[15 May, 2000]

RAJYA SABHA

trade also because the traders want fresh stocks of tobacco; not only that, they want continuity in supply. So, they might think that there would be shortage of supply next year and the prices might go up. This will force them to buy tobacco from elsewhere; they might forget about Andhra. Therefore, even though it may be a respite, it may become counter-productive to the farmers. My advice is, the farmers should think twice before taking this decision. They should evaluate the situation. So far they have not even been registered. Therefore, I would appeal to the hon. Member also to think twice about the consequences because this becomes counter-productive. The farmers will suffer more. The next suggestion which he made was why should we not send a delegation to various countries? We are doing it. The hon. Member is also aware of it. Probably, he wanted that I should tell the House and, through the House, the people of Andhra Pradesh. A delegation of six Members visited Libya, Jordan, Egypt and Algeria in February, 2000 to promote Indian Tobacco Exports. Secondly, another Indian tobacco trading delegation, including a STC representative, visited Russia to explore opportunities for tobacco exports. Thirdly, one more delegation will be visiting countries like Vietnam, South Korea and Taiwan to find new markets for exports of tobacco; some of the hon. Members who are tobacco growers and tobacco farmers are also there in the delegation. We are doing our best in this matter. Then, hon. Member suggested a Price Stabilisation Fund. It is a very good idea. But, Sir, the fund can be in two ways, according to me. He says, Government should levy a cess on cigarette. His Chief Minister is one of the greatest reformers in India. What is happening in Colombia is, the farmers themselves form a cooperative, they put a cess on the yield and they keep it for themselves. In good years, the cess will grow; in bad years, it will help the farmers. I think, instead of expecting the Government to do, it would be better if the farmers themselves form a cooperative and adopt a system, as it is existing in places like Colombia. Sir, I will just read this. "In Colombia, commodity growers have cooperatives and they themselves set up a price stabilisation mechanism by levying a cess on growers' realisation in good years, using this corpus for market intervention in bad years". I think this is a good idea. I think the hon. Member will speak to his colleagues and also to the Chief Minister. Lastly, he said, Tobacco Board should be given teeth. I do not know what kind of teeth he wants. We might discuss about it. There is no problem because it is a Bill, the House has to pass it. We are ready for discussion.

SHRI RAMAMUNI REDDY SIRIGI REDDY: What is the outcome of the meeting convened by the Minister of Commerce in New Delhi on 25th March, 2000 to explore options for increasing tobacco exports to foreign countries and the response received so far from the tobacco companies? What is the response received from foreign companies?

SHRI MURASOLI MARAN: Sir, we had a meeting. This is a market oriented economy. We cannot compel them to buy at a higher price. They know there is a glut. They know the price we have fixed is high. There is a limit for that. So, I think we have to reconsider the entire situation, the entire price situation. Probably, we should allow the market forces to operate and discover the price, a correct price, with some support mechanism. Probably, an imposition of a ban with a lower limit at which STC enters along with traders may revive the auction system. These are the suggestions. I have left it to them because they are nearer to the people; they are the farmers, they are the growers, they are the Government. So, if they come up with a new idea, we are ready to persuade.

SHRI C. RAMACHANDRAIAH: Sir, after deliberations with Ministers, bankers, farmers and traders, a decision has been taken in Andhra Pradesh to declare a crop holiday. Sir, I want to know from the Minister, what is India's share in world trade as far as tobacco is concerned; and what is the stock in the country, including with the STC. Next year, there is not going to be any crop from Andhra Pradesh. So, if the stocks are less for next year, what steps are being initiated to ensure that the traditional buyers of Indian tobacco would not look to other suppliers so that we will not be losing on traditional tobacco market. I want to know about this from the hon. Minister.

SHRI MURASOLI MARAN: Sir, we are one of the third largest growers of tobacco in the world. That much I know. The backlog of stock is about 30 million kgs and this year, as I have told you before, the unauthorised crop alone is about 37.6 million kgs. Over-supply is the problem.

Residential schools for SCs / STs

*686. SHRI VEN DHAMMA VIRIYO: Will the Minister of SOCIAL JUSTICE AND EMPOWERMENT be pleased to state:

(a) whether it is a fact that the Parliamentary Forum of SC and ST Members of Parliament have demanded opening of atleast one residential school in