

[Shri D. P. Karmarkar.]
not added any new point. So I forbear from making any speech.

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): The question is:

"That the Bill be passed."

The motion was adopted.

RESOLUTION RE. ENHANCEMENT OF EXPORT DUTY ON TEA

THE MINISTER FOR COMMERCE
(SHRI D. P. KARMARKAR): Sir, I beg to move:

"That in pursuance of sub-section (2) of section 4A of the Indian Tariff Act, 1934 (XXXII of 1934), the Rajya Sabha hereby approves of the notification of the Government of India in the Ministry of Commerce and Industry, S.R.O. No. 3161, dated the 1st October, 1954, by which the export duty on tea was enhanced from four annas to seven annas per lb. with effect from the date of the said notification."

Sir, I shall be brief so far as this Resolution is concerned. As hon. Members are already aware, the tea industry is passing through a period of high prices of tea in the London auctions. The present price in London auctions is about 81d. per lb. as against 49d. per lb....

SHRI RAJENDRA PRATAP SINHA (Bihar): Sir, I could not quite catch what was said. What were the figures?

SHRI D. P. KARMARKAR: I will say it again, so that I may be caught. The present price in London auctions is about 81d. per lb. as against 49d. per lb. in January, 1954. This increase in price appears to be due essentially to a genuine increase in world demand. The consumption in the importing countries in 1953 was 989 million lbs. as against 863 million lbs. in 1950. The demand is increasing while the production has not kept pace

with the demand. The general opinion in the tea circles is that the present high prices of tea in the London auctions are likely to last.

If the price level can be said to have gone up permanently, there is justification for mopping up a part of the increase by an increase of export duty. The Ceylon Government increased the export duty thrice during the recent months, firstly from 45 cents to 60 cents per lb. in May, 1954, again to 75 cents per lb. in September, 1954, and lastly to 100 cents, that is to say Re. 1 per lb. on the 19th of last month.

Sir, the question of increasing the duty was examined even at the time of the last Budget. But it was considered that a change at that time was not desirable since the industry had then barely a year to recover the losses sustained during the depression. It was also not quite clear then whether the rising trend was temporary or likely to be sustained for some time.

If one were sure that the present high level of prices would be maintained for any length of time, a sharp increase in duty would have been justified. The Government, however, took a long term view in order to safeguard the interests of our foreign trade. It was, therefore, decided to make only a moderate increase in duty from 4 annas to 7 annas per lb. in order that this level of duty can be sustained for a fairly long period without damaging our export prospects

I may also mention to hon. Members in this connection that the reactions of the tea trade since the increase in duty have not been unfavourable. The course of prices since then has also convinced the Government that the recent increase in duty could be borne easily by the tea industry, without at the same time any detriment to our export prospects. I would also like to inform the House that the present increase

in duty is likely to bring in Rs. 5 crores to Government.

Sir, I have nothing more to add with relevancy at this stage. If any points arise relevant to this Resolution during the course of the debate, I shall be only too happy to touch on them.

Sir, I commend the Resolution to the House.

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): Resolution moved:

"That in pursuance of sub-section (2) of section 4A of the Indian Tariff Act, 1934 (XXXII of 1934), the Rajya Sabha hereby approves of the notification of the Government of India in the Ministry of Commerce and Industry, S.R.O. No. 3161, dated the 1st October, 1954, by which the export duty on tea was enhanced from four annas to seven annas per lb. with effect from the date of the said notification."

SHRI RAJENDRA PRATAP SINHA: Mr. Vice-Chairman, I welcome this Resolution. As we know, there has been a steep rise in the tea prices, not only in the internal markets but also in the export markets, and it is but right that the Government should come in and share in the windfall of profits that the tea industry is making. After all, we need money to finance our Five Year Plan, and we know, there have been shortfalls in our customs revenue. So it is but in the fitness of things that Government should take this opportunity to mop up something from the very high prices to benefit the national exchequer.

Sir, two objections have been raised by the protagonists of the tea industry in regard to the duty that has been imposed on tea. Their first objection is on the ground that they have now been asked to implement the Plantation Labour Act which was suspended two years ago because of the crisis in the tea industry, and the

amenities now provided for labour will take away most of their profits. Secondly the industry wants that they must be allowed to build up reserves for rehabilitating the tea estates, for replanting and also for extension of the tea estates, and that they should be allowed to build up these reserves during the times of prosperity when tea prices are favourable.

Sir, I will draw your attention to the latest report on tea and other plantation company shares published in the 'Commerce' of 27th November, 1954. What I wish to submit is that the industry will come forward and object to the implementation in full of the Plantation Labour Act on the ground that the Government has imposed a levy upon the export of tea. They would like to take shelter under this Resolution in order to avoid giving all the amenities to labour.

Sir, you will find from the published reports in 'Commerce' which after all is a paper run for the industry....

SHRI S. N. MAZUMDAR: It is run by British capital.

SHRI RAJENDRA PRATAP SINHA: that the dividends declared in 1953 by the tea companies are very much higher than the dividends declared in 1951 and 1952 by the tea estates. The crisis was in the year 1952 and there was not much of a dividend declared by the companies in the year 1952 but in 1953 you will find that most of the tea estates had declared dividends,—and very good dividends,—and compared to the dividends declared in 1951 and 1952, you will find that the dividends declared in 1953 are very much more. A few companies have also declared their dividends for the year 1954; the balance sheets of all of the companies are not yet available but we can judge the trends from the dividends declared by the few companies for the year 1954. The trend of rising prices and greater dividends is continuing in the year 1954. In many

[Shri Rajendra Pratap Sinha.]
cases the dividend declared is the same as in 1953 but in many other places the dividend declared in 1954 is more than the year 1953. What do all these things show? These figures show that in spite of the crisis in the year 1952, most of the estates have been able to make profits and make good profits. The crisis year was

1952 and the dividends declared in 1953 relate to the working year 1952 and, therefore, I maintain, Sir, that the crisis have not affected the companies so far as their capacity to pay dividends is concerned. You will find the same conclusion if you look at the price trends—here again I am quoting from the "Commerce" of 2nd October 1954—which are as follows:

	A year ago	End July '54	End August '54	Latest
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Clean B. P.	1 12 6 to 1 13 0	2 13 0	3 0 0	3 0 0
Clean common B. P.	1 11 0	2 9 6	2 15 6	3 0 6
Medium Assam B. P.	1 12 0	2 11 6	3 1 0	3 2 0 to 3 2 6
Good Assam B. P.	2 4 0	3 2 0	3 4 0	3 6 0 to 3 7 0

These are for export and here the prices rose from Rs. 2-4-0 last year to Rs. 3-6-0 to Rs. 3-7-0 this year.

The following are the internal prices.

	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Medium Dooars dust	1 9 0 to 1 9 6	2 1 9	2 5 9	2 8 6
Medium Assam grainy dust	1 9 6 to 1 10 0	2 3 0	2 6 0	2 9 0
Best Assam (T. C. dust)	1 14 0	2 8 6	2 10 3	2 11 0 to 2 12 0

You will find, Sir, that in spite of the fact that the prices were 50 per cent. lower last year these companies have been able to declare handsome dividends in the year 1954 and 1953; the prices in 1952 were very much lower but even then they declared good dividends. You may imagine for yourself and profits accruing from prices what they are now; after all, the duty is not much and it is more than covered by the rise in prices. The companies will surely make bigger profits than what they have done in the previous years and they will be in a position to build up reserves which they so very greatly want to build up in order to expand and replant. I may also say that the industry was expecting a very much high-

er impost than what the Government have been pleased to levy and in this respect I will congratulate the Government, that they have taken the right step because we do not want to mar the export market for tea. You will find that the rise in the case of the duty imposed in Ceylon is about 75 per cent. whereas here it is only 7 annas but even then there is a margin. Of course in the foreign markets, Ceylon tea is preferred to Indian but, even making allowance for this, our tea prices will be competitive enough.

Sir, I have explained at great length that so far as the price factor is concerned, it will not affect the tea industry. Let us take the production

figures We find that the tea industry had better luck this year than last year so far as the yield is concerned We find that the production till the end of September 1953—that is only for that month—in Northern India was 78.8 million pounds and production in the month of October 1954 has been 81.6 million pounds, so, from last year there has been increase of 2.8 million pounds in one month If we take the entire figure from January to October 1953 and compare it with the corresponding figures for 1954, we find that the production in 1953 was of the order of 426.8 million pounds whereas production this year has been 446 million pounds, an increase of 19.2 million pounds If we take the South Indian figures, we find that the production for these nine months in 1953 was 89.4 million pounds whereas in 1954—for the corresponding period—the figures are 95.1 million pounds, an increase of 5.7 million pounds Therefore, Sir, these companies stand to gain doubly: firstly as I have explained by the rise in price, and secondly by the increase in the production Incidentally, the increased production will bring down the cost of production and the tea industry is going to benefit this year As such, this duty should not affect them in the least and the companies should not take the plea that they will not be in a position to implement the Plantation Labour Act in toto

Then, Sir, I also find that there has been a very steady increase in tea consumption The increase is there not only in home consumption but also in world consumption, as has been explained by my friend, the hon. Mr Karmarkar Sir, it is very interesting to note, that there has been a very good rise in the demand for tea in the United States of America not merely for our tea, but we find that the people of the United States are taking to tea You would remember, Sir, that last year or the year before last, probably year before last, when we were discussing the Tea Bill I emphasised that we should increase our propaganda in USA and I quoted figures that the

consumption of cocoa and coffee was very much higher there than tea, that tea consumption was almost negligible Of course the United States is a rich country I pointed out that if our propaganda machine is active there, we can snatch a good market from coffee and cocoa for our own tea I am very happy, Sir, that India has gone out of that big international Tea Market expansion Board which carries on propaganda for tea, and they have formed their own organisation the Tea Council On the Tea Council there are other south-east Asian countries This Tea Council in the United States is doing good work as can be seen from the quotations that I am giving you from the 'Eastern Economist' "Imports for the first nine months are up by 13,690,000 lbs, a gain of 17 per cent over the same period a year ago Packer sales to grocery stores and institutions for the first 9 months are higher by 5,441,000 lbs, or 11.7 per cent Grocery stores sales to the consumer for the first 8 months are 10 per cent ahead of last year The grocery store sales figure is the most significant because it directly relates to actual consumption—and also because 75 per cent of all tea is sold through this market For the full year of 1952 grocery tea sales increased 6 per cent In 1953 they rose to another 7 per cent Thus the 10 per cent increase in this market for the first half of 1954 actually represents a 24 per cent increase over 1951 when the Tea Council's intensive campaign for sales was launched" I congratulate the Tea Council, Sir, for the very good work that they have done in the USA, and I hope they will continue their effort not only in that country but in all other countries as well

Further, "The study also shows that the proportion of people drinking tea on an average winter day has increased from 23.4 per cent in 1951 to 24.4 per cent in 1953 and 26.3 per cent in 1954" So the habit of tea drinking, I am happy to see, is growing there, which will mean a greater sale of our tea and we will be in a better position to earn dollars from our tea.

[Shri Rajendra Pratap Sinha.]

Now let us take the example of U.K. There also we have done very much better than in the previous years and it is a matter for very great satisfaction. Here I am again quoting from the Eastern Economist of November 19th. "The summary issued by the International Tea Committee gives Britain's total tea imports (net) for consumption up to the end of September this year as 375.9 million lbs. compared with 347.1 million lbs. in the first nine months of 1953. The average monthly rate during 1952 was 36.3 million lbs., and during 1953, 40.1 million lbs., the average during the first nine months of this year has been 41.8 million lbs. A continuation of this rate in the last quarter of this year (the month's total for September was 43.4 million lbs.) would bring Britain's total net tea imports for consumption during 1954 to over 500 million lbs. The proportions of these amounts contributed by India, Pakistan and Ceylon for the first nine months of 1953 and the first nine months of 1954, respectively, are shown in the summary as: India, 196.4 million lbs. and 214.7 million lbs." You will see, Sir, that our export has jumped from 196.4 million lbs. to 214.7 million lbs. in 1954. During the same period Pakistan's has dropped from 14 million lbs. to 10 million lbs., whereas in the case of Ceylon it has gone up from 88.8 million lbs. to 105.5 million lbs. Similarly, Sir, the prices have also kept up. "The average prices at London auctions quoted in the summary show that while in the week

beginning October 26, 1953, Northern India tea fetched 3s 10 8d per lb., by the week beginning October 25 this year the price had reached 6s 8 5d. Over the same period, the average price for Southern India tea rose from 3s 6 5d to 6s 4 8d, and for Ceylon tea from 4s 1 1d to 6s. 9 7d."

You will thus see, Sir, that there is very good prospect for these high world prices being maintained and also the consumption will be kept up, and even after the imposition of the duty by Ceylon Government on their tea, the rate of export of their tea did not depress. Similarly, Sir, you will find that our sales have not been affected by the imposition of the duty nor prices have suffered in the foreign markets for our tea. As a matter of fact, Sir, from a perusal of all the facts available, I find that both the prices and the consumption and the sales figures have been going on increasing.

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): I think you would like to take some more time.

SHRI RAJENDRA PRATAP SINHA: Yes, Sir

THE VICE-CHAIRMAN (SHRI V. K. DHAGE). The House stands adjourned till 11 A.M. on Monday, the 6th December 1954

The House then adjourned at five of the clock till eleven of the clock on Monday, the 6th December, 1954.