



सत्यमेव जयते

**PARLIAMENT OF INDIA
RAJYA SABHA**

102

**DEPARTMENT RELATED PARLIAMENTARY STANDING
COMMITTEE ON COMMERCE**

ONE HUNDRED SECOND REPORT

ON

**PERFORMANCE OF PLANTATION SECTOR -
TEA AND COFFEE INDUSTRY**

**(PRESENTED TO THE RAJYA SABHA ON 9TH AUGUST, 2012)
(LAID ON THE TABLE OF THE LOK SABHA ON 9TH AUGUST, 2012)**

**RAJYA SABHA SECRETARIAT
NEW DELHI**



AUGUST, 2012/ SHRAVANA, 1934 (SAKA)

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**DEPARTMENT RELATED PARLIAMENTARY STANDING COMMITTEE ON
COMMERCE
(Constituted w.e.f. 31st August, 2011)**

1. Shri Shanta Kumar — *Chairman*

RAJYA SABHA

- ** 2. Prof. P. J. Kurien
3. Shri V. Hanumantha Rao
4. Dr. E.M. Sudarsana Natchiappan
5. Shri Arun Jaitley
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LOK SABHA

11. Shri G. S. Basavaraj
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14. Shri K. P. Dhanapalan
15. Shri Anant Gangaram Geete
16. Shri Shivarama Gouda
17. Prof. Sk. Saidul Haque
18. Smt. Kaiser Jahan
19. Shri Dilip Singh Judev
20. Shri Nalin Kumar Kateel
21. Shri Dayanidhi Maran
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23. Shri M. I. Shanavas
24. Shri Jagdish Sharma
25. Shri Rajaiah Siricilla
26. Shri Dinubhai Boghabhai Solanki
27. Shri K. Sudhakaran
28. Shri Dharmendra Yadav
@ 29. Shri Modugula Venu Gopala Reddy
& 30. Shri K. Jayaprakash Hegde
31. Vacant

SECRETARIAT

Smt. Sharada Subramaniam, Joint Secretary
Shri J. Sundriyal, Director
Shri Amit Kumar, Assistant Director

@ Nominated w.e.f. 25th November, 2011
Retirement w.e.f. 2nd April, 2012
\$ Retirement w.e.f. 2nd April, 2012
% Nominated w.e.f. 4th May, 2012 (against the vacancy arising on 2nd April, 2012).
^ Nominated w.e.f. 15th May, 2012 (against the vacancy arising on 2nd April, 2012).
& Nominated w.e.f. 18th May, 2012
** Retirement w.e.f. 1st July, 2012 and re-nominated w.e.f. 16th July, 2012.

PREFACE

I, the Chairman of the Department Related Parliamentary Standing Committee on Commerce, having been authorized by the Committee, present this One hundred second Report of the Committee on 'Performance of Plantation Sector - Tea and Coffee Industry'.

2. The Committee selected the subject for detailed examination and the same was notified *vide* Parliamentary Bulletin Part-II dated the 12th May, 2011. As part of examination of the subject, the Committee considered the subject in detail spanning over 4 sittings wherein it heard the views of Secretary, Department of Commerce; Chairmen, Tea Board and Coffee Board; Director, Indian Institute of Plantation Management and the representatives of United Planters' Association of Southern India (UPASI). The Committee also undertook two study visits to tea and coffee plantations in the States of West Bengal, Assam, Meghalaya, Tamil Nadu, Kerala and Karnataka and had interactions with various stake-holders and representatives of the State Governments.

3. A Press Communiqué was issued on 29th July, 2011 in the media with a view to elicit views of individuals and organisations on the subject. In response, eight memoranda were received **(Annexure I)**. 53 memoranda were received during the Study Visits of the Committee **(Annexure II)**. The points raised therein have also been duly considered by the Committee.

4. The Committee considered the draft Report on 1st August, 2012 and adopted the same.

5. The Committee expresses sincere gratitude to all the representatives of the various Departments / Ministries, State Governments, organizations and individuals for placing before it their valuable suggestions, materials and information, required in connection with examination of the subject.

SHANTA KUMAR
Chairman

Department Related Parliamentary
Standing Committee on Commerce

New Delhi
AUGUST 1, 2012

REPORT

I. INTRODUCTION

The plantation sector plays a very significant role in any country's well being. Plantation crops are the mainstay of agrarian economies in many States and Union Territories of the country. Besides being an important source of revenue for various States/UTs, it is also an important contributor to foreign reserves of the country. The importance of this sector assumes a deep social dimension in view of its capability to provide gainful employment, both direct as well as indirect, to a large chunk of population in remote corners of the country. Further, these plantations help sustain the fragile ecosystem of the region. The lush greenery which the sector epitomizes can fill any country and its citizens with pride and inspiration. These plantations are one of the biggest carbon sinks and conservatory of flora and fauna in the world. In view of immense implications the plantation sector has on the social, economic and environmental fabric of the country, it was decided to examine the performance of the plantation sector. This Report focuses tea and coffee sectors.

II. TEA SECTOR

2.1 India is the largest producer as well as the largest consumer of black tea in the world. It is significant to note that more than 80% of total tea production is consumed within the country. Indian tea commands second position in the world with regard to the area under tea cultivation. India is the fourth largest exporter of tea in the world after Kenya, China and Sri Lanka. The situation in India is different from the major exporting countries like Kenya and Sri Lanka as these countries have very little domestic demand and have to necessarily export more than 95 to 98% of their respective total production. As regards production, India

is the second largest tea producing country in the world with a share of 23% of the total world production after China which contributes about 32% of the total world production.

2.2 The teas originating from Darjeeling, Assam and Nilgiris are well known for their distinctive quality the world over. Tea exports contribute substantial foreign exchange into the country; the sector also contributes revenue to the tea growing states and national exchequer by way of value added tax (VAT), agricultural and corporate income tax, etc. The tea industry provides direct employment to more than a million workers, of which a sizeable number are, women. Additionally, more than two million people derive their livelihood from ancillary activities associated with the industry.

2.3 Tea in India is grown in 15 states over an area of 5,79,353 hectare which accounts for 16% of the total area under tea cultivation in the world. However, 92% of the area under cultivation and 98% of the total production is accounted for by four major tea growing States viz. Assam (51%), West Bengal (23%), Tamil Nadu (17%) and Kerala (7%). The other States where tea is grown, to a small extent, are Tripura, Arunachal Pradesh, Manipur, Mizoram, Nagaland, Sikkim, Uttrakhand, Himachal Pradesh and Bihar.

2.4 The state-wise area under tea cultivation and production during the year 2011 was as under:-

State	Area (in hectare)	Production (in million kg)
Assam	322214	508741
West Bengal	115095	226362
Others (Tripura, Arunachal Pradesh, Manipur, Mizoram Nagaland, Sikkim, Uttrakhand, Himachal Pradesh, Bihar)	22304	12344

NORTH INDIA	459613	747447
Tamil Nadu	80462	167229
Kerala	37137	68347
Karnataka	2141	5305
SOUTH INDIA	119740	240881
ALL INDIA	579353	988328

2.5 The tea sector in the country is largely organized since 72% of the total area under tea cultivation and 74% of the total production comes from the organized sector with a total number of 1686 tea gardens spread throughout the country. The remaining 28% of the area and 26% of the production is accounted for by the unorganized sector popularly known as small tea growers sector with more than 1.5 lakh holdings and the average size of the holdings being less than one hectare.

2.6 The following table draws a comparison between the organized sector and unorganized sector in India:-

Parameters	Small holdings 10.12 ha	Big Gardens >10.12 ha	Total
No. of gardens	157504	1686	159190
Area under Tea (ha)	164306	415047	579353
Production (M.kg)	257	731	988
% Share in Total Area	28%	72%	100%
% share in Production	26%	74%	100%

2.7 India produces many types of tea such as CTC, Orthodox, Green tea, Organic Tea, Instant tea and other specialty teas to suit the tastes and preferences of domestic and international consumers. However, nearly 90% of the tea produced in the country is of Crush, Tear, Curl (CTC) type because of its preference in the domestic market. India is one of the largest tea consuming

countries and more than 80% of the total production is consumed within the country.

PERFORMANCE OF TEA SECTOR

(a) Production of Tea

2.8 The estimated production of tea was 976.23 million kgs in the year 2011-12 against the production of 966.73 million kgs in the year 2010. The table below gives the details of production of tea during last four years:-

(Qty in Million Kgs)

Financial Year	North India	South India	All India
2008-09 (E)	734.03	238.74	972.77
2009-10 (E)	734.38	256.80	991.18
2010-11(E)	728.52	238.21	966.73
2011-12 (E)	739.42	236.81	976.23
(E) Estimated			

World Production

(Figs. In M.Kgs)

Country	2011 (P)	2010	2009	2008	2007
China	1550.00	1475.06	1358.64	1257.60	1140.00
India	988.33	966.40	979.00	980.82	986.43
Kenya	377.91	399.01	314.20	345.82	369.61
Sri Lanka	328.37	331.43	289.78	318.70	304.61
Vietnam	178.00	170.00	175.00	166.38	148.27

(Source: ITC Supplement, 2011), (P) –Provisional

2.9 The Committee notes that tea production in the country has gone down continually since the year 2007. In the year 2011 the country with a production of 988.33 million kgs (provisional) has just surpassed its production level of 2007 with 2 million kgs more to 2007 the production figure. It is a matter of concern to see that while the country witnessed continuous decline in tea production during 2007-10, China during the same period has increased its production every year from 1140 million kgs in the year 2007 to 1475 million kgs in the year 2010. The gap in production between China and India widened from nearly 154 million kgs

in 2007 to nearly 509 million kg in 2010. **The Committee feels that it is high time that the Department of Commerce and the Tea Board should take note of the reality and shrug the complacency that seems to have set in their efforts. It recommends the Department to analyse the reasons behind our failings and take necessary action to redeem the situation.**

2.10 The Committee finds that the extent of area under tea bushes which are more than 50 years of age is quite high in India at 1,48,305 ha of the total tea area. In other words, it is 37% of the standing bushes. This age profile of Indian bushes put our tea production to a disadvantage in comparison to other major tea producing countries like Kenya where young plantations account for more than 70% of the total tea area, and Sri Lanka whose more than 68% of the tea area has come up in big way since 1970s. The entire tea area in Vietnam is not more than 20 years and nearly one-third of China's tea plantations (equivalent to total current tea area in India) are less than 10 years. **The Committee is of the considered view that such a scenario calls for the necessity to carry out replantation/rejuvenation of our old/senile tea bushes on priority.**

2.11 **The Committee feels that the Department has to become innovative in its approach towards raising the production of tea since there is strong demand of our tea overseas and the supply side is also under further pressure due to rising domestic consumption which has also started witnessing demand for premium quality tea. There is need to increase tea cultivation area, treat old/senile bushes with appropriate interventions, undertake research to enhance productivity with maintenance of quality, provide effective extension services along with maintenance of soil health and organize the production on professional lines.**

(b) Productivity of tea

2.12 It was informed that the productivity of tea is around 1700 kg per hectare. The productivity of four major tea growing states viz. Assam, West Bengal, Tamil Nadu and Kerala which account for 98% of the production is given in the Table below:-

Productivity of major Tea producing States

State	Yield made tea/kg/ha
Assam	2354
West Bengal excluding Darjeeling	2009
Tamil Nadu	2647
Kerala	2180

2.13 The Committee was further informed by the Department that productivity of other tea producing States has not been taken into account since tea there is a minor produce and still at nascent stage of development to reach regular commercial yield. The productivity covers the average yield of the last three years in respect of the organized sector and does not include small holdings, bulk of which are under immature stage.

2.14 The Committee is constrained to note that tea cultivation in States other than four major States has not been developed to the desired extent despite their potential. It is saddening to see that our tea region is predominantly confined to the area developed by the British before Independence and the Tea Board even after sixty-five years of our Independence, has failed to add new areas under commercially viable tea cultivation in a significant manner. Further, the fact that the small growers despite their existence of more than a decade are still under immature stage of production shows the lackadaisical attitude of the Department/Tea Board towards promotion and development of tea in the country.

The Committee is of the considered view that had the Department and the Tea Board made concerted efforts towards scientific development of the tea sector in non-traditional areas and had also tried to organize the small growers through Self Help Groups or cooperatives and given necessary assistance, the production as well as productivity of tea would have increased substantially. The Committee recommends the Department to take necessary steps in this regard. It also recommends the Department to undertake appropriate researches to find the best cultural practices for increasing the productivity of tea in the country.

2.15 The Committee during its interaction with Darjeeling Tea Industry was informed that rampant use of chemical fertilizers to increase the soil productivity has deteriorated the quality of top soil which in turn has started taking its toll on productivity of the crops. **The Committee desires the Department to take appropriate interventions to reclaim the quality of top soil and promote introduction of integrated farming practices for tea cultivation. The Committee recommends promotion of rational use of fertilizer in the plantation.**

2.16 **The problem of increasing cost of fertilizers as well as its erratic supply was brought to the notice of the Committee. It was informed that the benefits of nutrient based subsidy were not being extended to growers. The Committee feels that the problem of increased cost of fertilizers with no subsidy benefit is one of the main factors behind less productivity and also high cost of production. This high cost of production would adversely affect our price competitiveness in world market. The Committee would like the Department to ensure that fertilizers subsidy is available to growers**

and it also engage the State Governments for timely availability of fertilizers for them.

(c) Exports of Tea from India

2.17 The Committee notes that the estimated quantity of export of tea was 190.95 million kgs during the year 2011-12 as against 213.79 million kgs in the year 2010-11 whilst the estimated value of export during the year 2011-12 was 597.95 million US\$ (Rs. 2863.33 crore) as against 657.81 million US\$ (Rs. 2995.70). The details regarding quantity and value of tea exported during last four years are as follows:

Financial Year	Qty (M.kgs)	Value (Rs Crs)	UP (Rs/Kg)
2008-09	190.64	2381.79	124.94
2009-10	213.43	3038.69	142.37
2010-11	213.79	2995.79	140.13
2011-12(E)	190.95	2863.33	149.95
E. Estimated			

2.18 The Committee notes that India has been the market leader in the world tea trade until mid-1980s. This pre-eminent position was gradually taken over by Sri Lanka. The export share of Indian tea has declined significantly over the years from 48% in 1950 to 12% in 2011. India is now fourth after Sri Lanka, Kenya and China, with a world share of around 12 per cent. The reason for this decline in export quantum was due to the increasing domestic demand which accounts for more than 80% of the total tea produce in the country. The domestic consumption which used to be around 70 million kgs in the early 50s had grown manifold over the last six decades and in 2011 it was around 860 million kgs against the total production of 988 million kgs. The domestic demand is growing on an average at the rate of 20 to 25 million kgs per annum. Apprehension has also been expressed that extending tariff concession and tariff

elimination by according Most Favoured Nation status to Sri Lanka and signing Free Trade Agreement with ASEAN countries has also adversely affected our tea export.

2.19 The Committee was also apprised about the markets in West Asia and North Africa (WANA) which are very important from the perspective of exports of Indian tea as they accounted for 28% of total exports in comparison to CIS countries of Russia, Kazakhstan & Ukraine (26%), Europe (15%) and Afghanistan & Pakistan (13%). These countries especially UAE, Iran, Tunisia, Iraq, Egypt and Saudi Arabia have high per capita consumption as compared to developed countries, and they continue to import tea as a commodity in bulk form and exhibit good potential for future growth. During the year 2010, India registered major growth in volumes as well as export earnings in the countries of UAE (Dubai), Iran and Tunisia as compared to 2009, whereas export volume declined considerably in Iraq during the same period owing to imposition of various non-tariff measures thereof.

2.20 India exports CTC (crush, tear, curl) tea variety mainly to Egypt, Pakistan and the United Kingdom, and the premium orthodox variety to Iraq, Iran and Russia. In the 2011-12 fiscal, tea exports fell by 11% to 190.95 million kg as compared to 213.79 million kg in 2010-11. In the last calendar year, tea shipments declined by 13% to 192.87 million kg from 222.02 million kg in 2010. **Since the export is dependent on production, the Committee recommends the Department to take necessary measures to increase the tea production in the country with emphasis on tea quality. This will help prevent a toll on our exports since we are perceived as poor quality tea supplier and our reliability as supplier needs to be spruced. Also, in view of the fact that**

the orthodox tea fetches more earnings in global markets, it will be in fitness of thing that Orthodox tea production in the country be increased. The Committee is happy that the Department is supporting orthodox production through Orthodox Subsidy Scheme. The Committee appreciates the efforts of the Department in this regard and feels that the Department should continue to encourage the Orthodox tea production. The Committee also desires the Department to find a solution to bring economy in the cost of our market entry which is relatively high and engage the Ministries/Departments concerned in order to reduce the cost of freight and infrastructure bottlenecks.

2.21 The Committee during its interactions with the stakeholders was informed that owing to significant volume of duty-free import of tea for re-export, there has been a dent in our own exports. The most alarming part of this export is that it is being done without any value-addition as there are no significant value-addition norms stipulated by the Tea Board for re-exports. **The Committee is gravely concerned on the unpreparedness of the Department to deal with the unscrupulous exporters importing cheap tea from other countries and re-exporting it without any significant value-addition under false certificate as Tea of Indian Origin and eating away the value of Indian tea by under quoting the genuine exporters of Indian tea. The Committee opines that the apathy of the Department towards such practices has seriously undermined the image as well as value of Indian tea in the export market. It strongly recommends the Department to take urgent steps to redress the situation through a strict monitoring of the quality of tea being exported. The Committee would therefore like the Department to evolve an**

appropriate monitoring mechanism in respect of import of tea for exports and ensure that the licenses are issued only to individuals/organisations with proven credentials.

(d) Tea Prices

2.22 The Indian tea industry passed through an unprecedented recession till 2008 followed by some improvement in 2009. However, in 2010 and 2011, the price realization has been stagnant. The Committee notes that the index for inflation in tea prices has not moved up as in the case of prices of food articles and those representing "All India Index". On the production front, there is not much improvement from the organized sector.

2.23 During the long crisis period between 1999 and 2007 there was a situation whereby cost of sales were above the auction realization for the financially weaker gardens that were poorly managed leading to their closure and abandonment. However, with the steady improvement in tea prices from 2008 onwards as would be evident from the table below, the financial position having been consolidated, most of the closed tea gardens have since been re-opened.

Tea Prices since 2006 in the Public Tea Auction Centers in India

Year	North India		South India		All India	
	Qty. (M.Kgs)	Avg. Price (Rs /Kg)	Qty. (M.Kgs)	Avg. Price (Rs /Kg)	Qty. (M.Kgs)	Avg. Price (Rs /Kg)
2006	364.51	71.62	134.56	50.79	499.07	66.01
2007	381.87	73.37	132.53	49.70	514.40	67.27
2008	390.28	95.27	156.07	66.27	546.35	86.99
2009	376.09	114.86	141.69	81.03	517.78	105.60
2010	378.21	119.50	151.85	67.69	530.06	104.66
2011 (P)	385.25	116.29	148.91	70.03	534.16	103.39

Note: (P) Provisional & excluding Amritsar Auction

2.24 The Committee notices that the cost of production in India is the highest comparing to other tea producing countries. India's labour cost comprises

around 60% of the cost of production and the welfare cost inclusive of concessional food grains is over Rs. 8 per kg of tea in India. However, the tea industry unlike other industries does not have the privilege of passing on the cost to the consumers as the prices are largely determined through the auction mechanism. **The Committee would like the Department to look into this problem of lesser possibility of remunerative price realization once the product goes through auction. The Committee also notes that business at all the tea auction centres has been made electronic. This causes problem to the sellers who are not electronically connected. The Committee shares the concern since internet penetration and access to computers are still a problem for many in the country. The Committee recommends the Department to revisit the e-auction system and come out with an optimal solution.**

2.25 The Committee notes that the tea prices in North India have increased continually since 2006 whereas the tea prices in South India has not followed the trend like North India. Also, the price realization of tea in South India is much lower in comparison to North India. The average number of buyers participating in the auction during the year 2011 ranged between 35 to 70 and the average made tea price realized for South India during 2011 was Rs. 70/-. On enquiring about the reasons for lower price for South Indian Tea, it was informed that there is a general perception that South Indian Tea is not of similar quality like its North Indian counterpart. **The Committee believes that the price of any commodity depends upon its quality. It, accordingly, recommends the Department and the Tea Board to concentrate upon improving the quality of tea in South India. It also desires that the Department must take appropriate action to**

enlarge the customer base to at least 100 customers for participating in the auction.

TEA BOARD OF INDIA

2.26 The Tea Board of India was constituted on 1st April, 1954 under Section (4) of Tea Act 1953 as a statutory body under the administrative control of Ministry of Commerce and Industry, Government of India to promote the cultivation, processing and domestic trade as well as export of tea from India. The Board is an apex body entrusted with the task of looking after the overall interests of the tea industry.

Organizational Structure of Tea Board

2.27 The Board consists of a Chairman and 30 Members appointed by Government of India, representing various segments of the industry and the Parliament.

2.28 The Head Office of the Board is located in Kolkata, West Bengal and it has sixteen offices (New Delhi, Mumbai, Chennai, Guwahati, Jorhat, Dibrugarh, Silchar, Tezpur, Agartala, Siliguri, Jalpaiguri, Kurseong Palampur, Coonoor, Cochin and Kottayam) and three offices located abroad (London, Dubai and Moscow). The foreign offices of the Board are designed to undertake various promotional measures to boost export of Indian tea. These offices also act as liaison offices for interaction between importers of Indian tea of the respective region as well as Indian exporters. Besides this the Board has separate Committees to deal with the issues of administration, export promotion, labour welfare and developmental scheme. The Chairman, Tea Board is a Member on all these Committees.

Functions of Tea Board of India

2.29 The functions of the Board span across a wide spectrum as defined under the Tea Act. Its function includes endorsement of diverse production and productivity of tea, financial support of research organisations and monitoring of advances in tea packaging. These functions are directed towards:-

- (i) rendering financial and technical assistance for cultivation;
- (ii) manufacture and marketing of tea, export promotion;
- (iii) aiding Research and Development activities for augmentation of tea production and improvement of tea quality;
- (iv) extend financial assistance to the plantation workers and their wards through labour welfare scheme;
- (v) to encourage and assist both financially and technically the unorganized small growers sector
- (vi) collection and maintenance of statistical data and publication;
- (vii) extension of area under tea cultivation;
- (viii) improvement in quality of tea, generic promotion for new tea markets and domestic consumption, brand promotion;
- (ix) protection of Intellectual Property Rights (IPRs) and Geographical Indications (GIs);
- (x) organizing buyers/sellers meets, promotion of cooperative efforts, undertaking promotional campaigns for increasing export of tea to foreign countries;
- (xi) issuance of exporters' licence, shipment licence; and
- (xii) tea waste and Warehousing licence, etc.

Tea Board's specific interventions for the overall growth of tea sector

2.30 The Tea Board of India is operating a number of financial schemes for the developmental activities like replantation and rejuvenation of poor yielding and old aged tea areas, modernization and mechanization of the operation of tea sector, popularization of tea domestically and globally, creation of irrigation facility, drainage facility and transportation facility, assistance for product diversification, installation of orthodox tea manufacturing, certification, improving labour productivity, skill improvement, assistance to research projects for quality upgradation, value addition etc. The funding during the 11th Plan was linked to the objectives of the Board. These objectives were (i) improving the production, productivity and quality of the plantations; (ii) modernizing tea processing factories for manufacturing better quality teas at lower cost; (iii) improving welfare conditions of the tea garden workers and their wards; (iv) improving exports by extending marketing promotional support to the exporters; and (v) research and development. Accordingly, five schemes were approved by the Government of India being implemented through the Tea Board during the plan period. The details of the scheme are as under:-

(A) Special Purpose Tea Fund (SPTF)

2.31 The Committee learns that the Tea Board has undertaken implementation of Special Purpose Tea Fund (SPTF) to promote replanataion and rejuvenation of old age/senile tea bushes in India which has been one of the limiting factors that come in the way of increasing tea production.

2.32 The Government, on 17th January, 2007, approved setting up of the SPTF under the aegis of Tea Board, Kolkata for funding replantation and rejuvenation

activities aimed at improving the age profile of tea plantations. The Scheme was approved for implementation till the end of 11th Plan with an estimated outlay of Rs.567.10 crore (subsidy of Rs. 333.27 crore, spill over of subsidy of Rs. 142.83 crore to the first three years of the 12th Plan and Rs. 91 crore towards capital contribution) to be provided by the Government. Under the Scheme, borrower's contribution would be only 25% and remaining 75% will be arranged by the Government in the form of subsidy (25%) and loan (50%) from the SPTF. Initially the estimated area to be taken up for replantation/rejuvenation during the 11th Plan period was fixed at 85,044 hectares comprising replantation in 68,154 hectares and rejuvenation in 16,890 hectares and included coverage of 14,174 hectares (replanting in 11,359 hectares and rejuvenation in 2,815 hectares) aimed at during the 10th Plan. The Committee was informed that since the Scheme was approved in the fag end of the 10th Plan viz. 2006-07, it was actually implemented during 2007-08 i.e. the 1st year of the 11th Plan. However, due to reduction in the 11th Plan outlay of the Tea Board from Rs.1000 crore to Rs.800 crore and revision in the unit cost by the NABARD, the coverage area was revised to 40,992 hectares comprising replantation in 32,560 hectares and rejuvenation in 8,432 hectares during the 11th Plan. The Committee has been informed that during the first four years of the Plan period, 20901 ha and 5740 ha have been replanted and rejuvenated respectively. Also, the financial achievement under the Scheme has been Rs. 151.60 crore (including capital component of Rs.60 crore) against the target of Rs.150.00 crore.

2.33 Against the physical target of 40,992 ha comprising replantation of 32560 ha and rejuvenation of 8432 ha set for the XI Plan period, the actual achievements were 32013 ha comprising 25195 ha of replantation and 6817 ha

of rejuvenation – an achievement of 78%. The total disbursement made by way of subsidy under the Scheme during the XI Plan period was Rs.130.30 crore and a sum of Rs. 48.48 crore was also advanced as long term loan.

2.34 The Committee notes that the Special Purpose Tea Fund (SPTF) Scheme has failed to yield the desired results mainly due to high rate of interest on loans, inadequate subsidy, loss of revenue due to long gestation period for new fruits and non-cognizance of specific local conditions arising out of difference in terrain and agro-climatic conditions of the tea growing regions while framing the Scheme. Also various restrictions like ban on usage of earth excavators, restrictions on irrigation, uncertainty about the lease tenure, etc. have affected the success of the scheme.

2.35 The Committee is of the considered view that unit cost for calculating the subsidy must take into account inflation rate, increasing labour cost, crop loan, time factor of gestation period, market facilities, etc. and must be made subject to revision on regular basis accordingly. Further, it must also take into account crop losses and reduced revenue for the garden in the initial years. The Committee, accordingly, recommends that the subsidy provided under this Scheme needs to be enhanced to appropriate level. Also, it is desired that the Department revisit its credit component under the Scheme and the same should be simplified inasmuch as to reduce the rate of interest on loans under SPTF at par with banks or the beneficiaries may be allowed to access the banks directly for loans for replantation/rejuvenation. The Committee desires that the Department take

up the matter with the Planning Commission for adequate outlay for the Scheme during XII Plan.

2.36 The Committee finds that though Internal Monitoring of the scheme is carried out through the Sub-committees of the Board but interactions with relevant stake-holders, which hold the key to achieve the desired targets are not held regularly. The Committee, therefore, recommends that meetings of these sub-committees with the representatives of the tea growers should be convened more frequently and on regular basis in order to make this scheme result oriented.

2.37 During its Study Visit to CSIR complex in Himachal Pradesh, the Committee learnt that the CSIR has developed a technique called "Rejuvenation Pruning" whereby the old bushes are cleaned up removing all unproductive branches and are revived without uprooting the plant. The Committee understands that the payback period for replanting varies from 9-12 years while for rejuvenation pruning the payback period is only 3 years. The Committee recommends the Department to consider "rejuvenation pruning" to revive the health, vigour and yield of tea bushes in addition to total uprooting of plants. The Committee also desires that productivity evaluation of both the techniques may be made by the Department to decide the most efficacious mode for increasing the production/productivity of tea plants under the Scheme. The Committee recommends a compensation package for the growers undertaking uprooting and replantation and also for the workers who are laid off during the gestation period.

(B) Quality Upgradation and Product Diversification Scheme

2.38 The Committee is of the view that quality upgradation and product diversification is the bottom line for making any business sustainable and competitive in the market. The Committee notes that the Tea Board has been implementing Quality Upgradation and Product diversification Scheme (QUPDS) to act as a catalyst for tea factories/blending/packaging units and promote investments in modern technologies/processes (either for expansion or for replacement), which would eventually enable quality improvement and higher realizations through the production of better quality/ value added teas. The overall objective of the Scheme is to encourage quality upgradation and product diversification in the tea processing units. The Scheme provides financial assistance for product diversification, modernization of factories by replacement of old and worn out machinery, procurement processing machinery for tea in CTC factories, certification and training to small growers etc. Under this scheme, a subsidy ranging from 25% to 40% is provided for modernization of tea factories and also for orthodox tea production.

2.39 Financial achievement under the scheme during the first four years of the Plan is Rs. 141.86 crore against the target of Rs. 140.50 crore and 854 units have been modernized while 155 factories have availed assistance for Quality Certification. Subsidy has also been availed for production of 303 million kg of orthodox tea.

2.40 The Committee appreciates that efforts were being made to increase the production of Orthodox tea in the country since orthodox tea commands much higher prices in the domestic as well as the international market. To facilitate the production of orthodox tea, the Tea Board provides subsidy at the rate of 40% for

procurement of processing machinery for orthodox tea in 100% CTC factories with a ceiling of Rs. 25 lakh per factory per annum. In addition to this, Tea Board also provides incentives for orthodox tea production by extending subsidy at the rate of Rs. 3/- per kg of actual production for leaf grades and Rs. 2/- per kg for dust grades and an additional incentive ranging from Rs. 1 to 5 per kg in commensurate with the investment and efforts made by the producer to produce higher volume of Orthodox teas.

2.41 The Committee, however, notes that the State of Himachal Pradesh whose tea production has originally been Orthodox has not really gained from the support of the Department for production of Orthodox tea. Instead the tea cultivation area has declined from 2300 hectares to 1100 hectares. Many growers have left the business and as a result the production has declined from 1.7 million ton to less than one million ton. It was informed by the Department that Himachal Pradesh tea being originally Orthodox was costlier and did not find buyers after the market crashed. The growers also failed to diversify. Moreover, the extant policy of the Government of Himachal Pradesh also prevents leasing out of small holdings to corporate to revive the tea gardens. **The Committee desires that the Department take up the difficulties with the State Government and find a solution to the problems afflicting the development of tea in the State. It is also of the considered view that the necessary assistance and infrastructure may be provided to the small holdings to enable them carry tea cultivation on scientific lines. The possibility of forming cooperatives of small holdings may also be explored to bring economy and efficiency in production in the State.**

2.42 The Committee feels that cooperatives of small holdings may be encouraged for taking up cultivation of organic tea. There is also an urgent need for dissemination of knowledge regarding standard agro techniques on all aspects of tea management practices from cultivation to marketing. The Committee, therefore, recommends the Department to firm up a special package for revitalization of tea industry in Himachal Pradesh and share the blue-print within three months of the presentation of the Report.

2.43 The Committee was informed that as a part of quality control measures, tea factories are being visited at regular interval to check the standards of manufacture and to draw samples so as to ensure that teas are conforming to prescribed standards under Prevention of Food Adulterations Act (PFA).

2.44 The Committee notes that there has been no significant breakthrough in the introduction and induction of new technologies despite its urgency to attain better production, efficiency and cost effectiveness. The Committee learns that the Tea Board had entered into a tie up programme with Indian Institute of Technology, Kharagpur during the XI Plan for looking into mechanization both in field and factory operations but nothing tangible has yet been developed by the Institute. **The Committee finds this development worrisome and recommends the Department to collaborate with other institutes of repute including agricultural universities to develop sound mechanization basis for the industry on priority.**

2.45 The Committee during its interaction with the industry found that huge backlog of subsidy payable under the Quality Upgradation and Product Diversification Scheme (QUPDS) has been pending for long. Also, Subsidy for Orthodox tea production in many cases has been pending from

the calendar year 2009, while, the subsidy on incremental production is pending from the calendar year 2008. The Committee takes a serious note of undue pendency in release of subsidy since it takes away the commercial viability of a proposal. The Committee strongly recommends that such pendency may be cleared on priority.

2.46 During its Study visit, the Committee noticed consistent demand for inclusion of tea stacking machines which helps the factories as well as the warehouses for proper storage of teas thereby protecting the quality of tea as an eligible item for subsidy under Quality Upgradation and Product Diversification Scheme (QUPDS). The Committee, accordingly, recommends for inclusion of tea stacking machines and other suitable machineries/equipments under the eligible list for subsidy benefits under QUPDS.

(C) Market Promotion Scheme

2.47 Success of any product or service largely depends on its marketing. Poor marketing strategies have taken a dig for our tea sector. In the international market, it is facing challenges of fierce competition, declining market and also low price realizations. The Committee notes that the Market Promotion Scheme has been conceptualized to meet these challenges. The broad objective of the Scheme is to increase the domestic consumption of tea and export of Indian tea and also promote the Indian brands in the world market by supporting the exporters in their marketing endeavor.

2.48 The major components of the scheme are as follows:

(i) Domestic promotion

Generic tea promotion campaign which included participation in domestic fairs & exhibitions and insertion of advertisements in various print and visual media.

(ii) Overseas promotion

The activities undertaken by the Board from the Head Office and the three foreign offices primarily included generic promotion through Tea Councils in U.K., Germany, Canada and U.S.A., participation in fairs & exhibitions, trade facilitation through arranging Buyer-Seller Meets, exchange of trade delegations (inbound & outbound), information dissemination through gathering of market intelligence etc.

(iii) Trade related activities

The activities under this head mainly comprised participation in international trade fairs & exhibitions, arranging BSM integrated with them or separately, arranging exchange trade delegations, attending seminars/conferences, maintaining liaison work with the tea trade (both exporters as well as importers) etc.

(iv) Production of publicity material

Different publicity material/brochures containing information regarding various facets of Indian tea were produced and printed, which were well-accepted by the Industry.

(v) Incentive to exporters

Transport subsidy is extended for teas exported from ICD Amingaon and it was informed that reimbursement of travel and participation costs to the eligible exporters in trade exhibitions in the overseas markets.

(vi) Legal/Consultancy charges

Legal charges incurred toward obtaining G.I. registrations and protecting Darjeeling teas in key export markets which ensured (i) all sellers of genuine Darjeeling tea are licensed under CTM, and (ii) Teas being sold as Darjeeling tea in India and abroad are genuine.

(vii) Introduction of E-auction

All tea auction centres were brought under e-auction ensuring stabilization of auction prices through introduction of fair price discovery and transparency.

2.49 Expenditure incurred vis-à-vis approved allocation during the XI Plan are as under:

(Rs. Crores)

Year	Plan outlay	Expenses	% expenditure
2007-08	26.00	21.78	84
2008-09	26.50	27.32	103
2009-10	25.00	24.33	97
2010-11	21.50	16.03	75
2011-12	20.50	19.02	93
Total	119.50	108.48	91

2.50 The Committee learns that a generic campaign was launched in 2008-09 through print and electronic media and was also continued in 2009-10 for a cost of Rs. 4.72 crore highlighting the health benefits that tea renders to an individual's health. As a parallel activity, Tea Board co-sponsored

Seminars/Workshops, where the “Health benefits of tea” were the primary topics. Financial achievement during the 11th Plan period was Rs. 89.23 crore against target of Rs. 87 crore.

2.51 The Committee is of the view that market promotion efforts should translate into increased exports of Indian tea especially with due safeguards for quality in the international market. In this regard, the Committee recommends that a Tea Promotion Council for Exports comprising of growers, exporters, traders, warehouse owners and representatives of the Tea Board may be constituted by the Department with an objective to ensure (i) exports of tea at a reasonable price; (ii) effective quality control for tea exported; and (iii) proper monitoring of tea being imported for re-export.

2.52 The Committee strongly feels that tea has all the necessary elements like ancient history, health benefits and richness of range/variety in flavour, colour and mode of preparation so as to make it an ideal drink for being popularized as a global beverage. The Committee, therefore, calls upon the Department that apart from its routine promotional measures, it must also direct its efforts towards value addition of tea by way of blending, packaging, tea bagging, etc and intensify its research for finding/developing new varieties and variants of teas and introduce the same in a cost effective manner in the international market.

2.53 The Committee appreciates the Department’s efforts to obtain Geographical Indications registrations and protection of Darjeeling tea in key export markets and also the creation of various logos and word marks

like Darjeeling, Assam, Nilgiri, Indian Tea, Doors-Terai, Assam Orthodox, Nilgiri Orthodox to link teas with region/origin.

(D) Human Resources Development (HRD) Scheme

2.54 Primary objectives of HRD activities supported under this Scheme aims at induction of professionalism in plantation management, improve labour productivity, skills improvement at all levels from workers to managers through extensive training and carrying out plantation labour welfare measures aimed at filling in critical gaps in the welfare of tea garden workers, particularly to cater their health and education needs which will be in the nature of complementing but not replacing the statutory provisions of Plantation Labour Act.

2.55 The total XI Plan outlay sanctioned for this scheme was Rs. 50 crore. As per the directives of Expenditure Finance Committee (EFC), all activities under labour welfare were clubbed under two broad heads namely: (i) health and (ii) education with an outlay of Rs. 25.50 crore for health and Rs. 12 crore for education respectively. The remaining Rs. 12.50 crore was earmarked for the training of which 60% were to be used for imparting training to plantation workers.

2.56 The Committee notes that for improving health of workers, the Scheme aimed to provide safe drinking water to tea garden workers and establish sanitary latrines in the labour lines. Tea Board also helped the tea gardens to establish hospitals and health centers with financial assistance to construct buildings and provide them grant for medical equipments and accessories, ambulance etc. For specialized treatment, beds are reserved in specialized hospitals/health clinics for tea plantation workers and their dependants. Special schemes for family welfare education programme were also to be undertaken in tea garden areas to educate

the workers on small family norms, prevention of AIDS/HIV infection, drug abuse etc. The Department informed that scouting and guiding activities are encouraged in the tea areas. Financial assistance was also given to physically challenged plantation workers and their wards by providing crutches, caliper shoes, artificial limbs etc. For education of wards of workers, educational stipends were given for general education and also for specialized education. Financial assistance was also extended for construction of school/college buildings in and around tea areas for spreading education among tea garden population.

2.57 The Committee notes that a total sum of Rs. 590.21 lakh was disbursed towards the training programme during the XI Plan for training 49689 small tea growers, 1616 garden managers and 254 extension service providers. Financial grant was also extended for organizing specific courses on tea for students of Assam Agricultural University, North Bengal University, Sikkim University and Himachal Pradesh Agricultural University. With the financial support of Tea Board, the Indian Institute of Plantation Management (IIPM) organized training programme for the managerial personnel engaged in the tea plantations including supervisor and worker at the grass root level. The number of people trained during the XI Plan added upto 38310 persons. The following table shows a total expenditure incurred under the HRD Scheme of the Board during XI Period was Rs.20.57 Cr of which a sum of Rs. 7.45 Cr was spent on training programmes.

	Activity	Rs. Cr
1	Training Programmes	7.45
2.	Labour Welfare	
	1. Health	1.44
	2. Education	11.68
	Total	20.57

2.58 Financial achievement during the first four years of the Plan was Rs. 15.47 crore against the target of Rs. 16.75 crore. Assistance has been given to 42,000 wards of workers for education.

2.59 The Committee is not satisfied with coverage level of beneficiaries as well as the quality of the training programme. The Committee is of the opinion that the Board should accord priority to the training of small tea growers. The Committee recommends that the Board should tie up with National Skill Development Commission to tailor details regarding the best practices in the training module of small tea growers and plantation workers. This will equip them to address the quality concerns of our tea cultivation.

2.60 The Committee notes that the statutory provisions of Plantations Labour Act 1951 which provides for Labour Welfare and regulates the conditions of work in plantations applies to plantations (Tea, Coffee or Rubber) of a certain threshold size i.e. 5 hectares or more and which employ 15 or more persons are covered. As per this Act, the employers are statutorily required to provide certain basic Welfare Provisions which encompass (i) **health provisions** like Drinking Water, Conservancy/Sanitation, Medical facilities and (ii) **welfare facilities** like providing Canteens, Creches, Recreation facilities, Education facilities, Housing facilities.

2.61 The Act also stipulates certain safeguards such as providing maximum hours work in a week, weekly holidays, prohibiting night work for women and children, certification of fitness, annual leave with wages, wages during leave period, sickness and maternity benefits. The Act further provides for substantive

monitoring of Welfare Provisions by Plantation Labour Inspectors and penalties/procedures in the case of non compliance of statutory provisions.

2.62 The Committee during its Study Visit to various tea plantations found that the statutory requirements as laid down in the Plantation Labour Act were in general being overlooked by the plantation managements. On enquiry, it was informed that it has increasingly become difficult for the management to bear the social cost due to higher cost of production and thinning of profit margins on account of high labour wages and rise in input costs. It was informed that an Inter-Ministerial Committee constituted to find solution to this problem had recommended for sharing the social cost in the ratio of 10:40: 50 (10 % by the concerned state government, 40% by the central government and 50% by the plantation owners). However, the State Governments did not come forward to share the cost and the issue was re-examined by subsequent Committees such as O.P. Arya Committee, S.N. Menon Committee and then by the Indian Institute of Plantation Management as part of a study on the structural infirmities of the plantation sector. All these Committees/Study emphasized the need for sharing the social cost and the matter was taken up at the highest level where the Ministry of Labour's views on the issue which *inter-alia* states that "the cost sharing should be the responsibility of Plantation owners and the State Governments concerned and if this responsibility is shifted to the Central Government, this would undermine the statutory provisions of the Plantation Labour Act, 1951. Moreover, the Ministry of Labour does not have any such Scheme/Fund which can be extended/diverted to address the requirements of providing statutory welfare facilities to the plantation workers" were still being examined. In short, no solution has been offered to redress the problem. **The**

Committee desires that the Department make all efforts to adopt the formula recommended by the Inter-Ministerial Committee on sharing of social cost since productivity of a worker is interlinked with his working conditions and his welfare including sanitation, hygiene, education and sports facilities for their wards etc. It also recommends the Department to impress upon the concerned State Governments to participate in sharing of social cost and also urge them to effectively implement the provisions relating to labour welfare activities under Plantation Labour Act.

2.63 The Committee takes notice of the fact that the welfare schemes run by the Government in their present form like Indira Awas Yojana are primarily targeted for below poverty line category population and they are not extended to plantation workers in a tea estate. Further, these workers are denied the benefits under schemes like Indira Awas Yojana (IAY) as they do not have the ownership right on the land under tea cultivation. The Committee recommends that the matter should be taken up with the concerned Department/Agency by the Government and if necessary suitable amendment should be brought in the Plantation Act so that plantation workers could avail of the benefits of the IAY Scheme and basic amenities like housing could be ensured to them.

2.64 On the issue of medical facilities being extended to the plantation labour, the Committee is of the view that extension of services of Referral Hospitals needs to be institutionalized. The Committee recommends that the Government should take appropriate action so that the recommendations of O.P. Arya Committee in this regard may be implemented.

2.65 The Committee was given to understand that the Swajaldhara Scheme is currently extended to only some selected sectors of the plantations. The Committee recommends that the Government should take up the matter with the concerned Department/Agency to ensure that the facilities of this scheme should be extended to all the plantations. The Committee has noticed that the condition of the school buildings is not up to the mark. Hence, the maintenance work should be carried out by the Tea Board under the Scheme of HRD run by it.

(E) Research & Development Scheme

2.66 Tea Board of India supports and promotes tea research in the country to address the problems and need of the tea industry covering applied, basic and regulatory aspects of research as per the provision of Tea Act, 1953. Various disciplines like plant improvement (breeding and biotechnology), plant production (agronomy and soil), plant protection (Mycology and Entomology) quality including biochemistry, tea processing, tea tasting, engineering and electronics etc. These aspects are included in the ongoing programme of research in three tea research institutes in the country viz., Tea Research Association (TRA) at Jorhat, Assam, United Planters' Association of Southern Indian Tea Research Foundation (UPASI-TRF), Valparai, Coimbatore, Tamil Nadu and Darjeeling Tea Research and Development Centre (DTR&DC), Kurseong, Darjeeling, West Bengal. These research institutes extend advisory service also on region specific problems of the industry by visiting tea estates through strong advisory network both in North and South India.

2.67 It has been informed that during the XI Plan, research focused on technology upgradation, transfer of technology for improving productivity, cost

reduction in the field operations, quality manufacture process, value addition, product diversification, specialty tea etc., development of mechanical aids for improving productive efficiency of the workers, putting to use the electronic gadgets for quick assessment of quality parameters of tea, setting of MRL pesticide laboratories, utilization of Remote Sensing and Decision Support tools for a Geo-information Management and Monitoring of development in Tea Plantations etc., in collaboration with National Laboratories such as C-DAC, ISRO, IITs and Agricultural Universities etc.

2.68 The Committee notes that an outlay of Rs. 85 crore was made to assist research projects by the Tea Research Institute, TRA and UPASI for quality upgradation, value addition, product diversification, setting of quality control labs, opening of new development offices etc. Achievement during the first four years has been Rs. 89.22 crore against the target of Rs.93 crore.

2.69 The Committee was informed that higher pesticide residue in tea was becoming common due to over dose of pesticides, weedicides and chemical fertilizers. The overdose of chemicals has also started afflicting the growth of Indian tea. **The Committee feels that growing instances of higher MRL and declining soil productivity are concern areas demanding immediate attention. The Committee desires that the Department take necessary action to redress the situation. It needs to devise suitable production practices including rationalization of fertilizer application by promoting bio-fertilizers and alternate control mechanism for pest and disease, pruning, plucking, manuring etc.**

2.70 **The Committee is also concerned over the challenges to the tea industry on account of climate change. The Committee is fully convinced**

that there is an urgent need to develop a strategy aimed at improvement and sustenance of tea productivity as well as its quality and direct our research to find solutions to problems like prolonged drought arising due to climate change. The Committee learns that issues on climate change like - weather tower installation, carbon dioxide flux etc. and their impact on tea need to be addressed in a collaborative research programme. The Committee recommends the Department to take steps in this direction and collaborate with International Tea Research Institutes and ICAR on the matter. The Committee is, never the less, happy to note that the Department has included a research proposal on climate change on tea plantation under XII Plan. The Committee further feels that the Government should give more thrust to the development of high yielding planting materials that can withstand the biotic and abiotic stresses under the changing climatic scenario and help in bringing down the gestation period from 5-6 years to 2-3 years.

2.71 The Committee is of the view that the findings of scientific research are not being transmitted to the growers in true sense. The problem is more severe in case of small tea growers whose holdings are small in size and are scattered. The Committee, therefore, recommends that the Government should take necessary action to ensure that these results/findings are shared at grass root level so that the overall performance of the tea industry could improve.

MECHANIZATION FOR TEA INDUSTRY

2.72 The aim of mechanization is to develop technology for saving of labour in tea industry which does not necessarily means reducing the man power alone;

enhancing productivity and quality of their works, better quality and health aspects in the life for tea workers will also be considered during carrying out the project work. Prioritization of mechanization is needed in plucking, pruning, weeding and fertilization application.

2.73 Plucking is the most important area of mechanization as it accounts for nearly 25% of the total cost of tea production and over 60% of the labour deployment in a tea estate. These figures are much higher for the small tea growers. Drying being another important operation for automation in the feeding & discharging points and also in regulation of fuel consumption and combustion processes as drying accounts for nearly 80% of the total cost of tea manufacture. Pruning is done to maintain precision of different pruning operations and reduce the costs. Over the years, there is a sharp decline in standards of these operations. Pits digging for planting and replanting are another important area for mechanization as digging pits of recommended size is an expensive operation and most of the planting/ replanting is being done in sub standard pit sizes. Other areas deserving consideration for mechanization are soil filling in polythene sleeves, drain digging & cleaning, automation in withering and roller feeding processes.

2.74 There has been an increasing complaint about non-availability and acuter shortage of labour particularly for carrying out the field operations like plucking, pruning and spraying and the plantation sector being highly labour intensive. The shortage of workers has severely hampered the routine activities that are carried out which adversely affect the crop productivity. Tea plantations particularly in South India and Himachal Pradesh are faced with acute shortage of labour. It was submitted to the Committee that compared to 1999, there has

been a reduction to the extent of 22 to 55% in most of the plantations districts in South India. The problem has grown manifold due to MGNREG Scheme. There has been a growing demand that this scheme should be suspended from the area where tea cultivation is in practice. Also, low rate of wages in tea industry is forcing them to migrate to other industries adding to the worries of the plantation management. **The Committee is of considered opinion that instead of suspending MGNREG Scheme, the Department should in consultation with Ministry of Rural Development identify works that may be done in tea plantations as an eligible item of work under the scheme. This will ensure that the tea workers are able to avail of the benefits of MNREG Scheme without migrating to other places.**

2.75 **The Committee also feels that mechanization of all operations of tea is imperative for the growth of tea industry in the light of scarcity of labour and increasing cost of labour which alone accounts for about 60% of the total cost of production. The Committee would like the Department to prepare a blue print for mechanization and modernization of operations of tea industry under a time bound programme. Expertise of other institutions/agencies should also be taken into consideration.**

2.76 **The Committee strongly underlines the need for developing harvesting machines suitable to the terrains in which the plantations are grown as no substantial savings of labour has been noticed from the existing machines. The Committee, therefore, recommends that a separate department be established for designing indigenous machinery suiting to our terrain and topography.**

ROLE OF SMALL TEA GROWERS

2.77 Small tea growers have emerged as major players in the tea sector. They have contributed significantly to the development of tea industry as a whole. Of the 2,000 million kg produced in the country annually, a significant share of 26% is produced by the small tea growers. The following table indicates the contribution of small tea growers in the tea sector:-

Details	Million kgs		
	1999	2009 (E)	Increase /Decrease over last 10 years
Total Production	826	979	+ 153
Small Grower Sector	154	257	+ 103
% of Small Grower Sector in total production	18.64	26.25	+ 7.61

2.78 At present the small tea growers in India accounts for 28% of the total area under tea cultivation with more than 2 lakh holdings and the average size of the holding being less than 1 hectare and contribute 26% of the total production.

2.79 The Committee notes that small tea growers are mostly concentrated in the States of Assam, West Bengal and Tamil Nadu and to some extent in Himachal Pradesh, Kerala and some other States. The major share of their production comes from Assam, West Bengal and Tamil Nadu. The tea produced by small tea growers is mainly of CTC type.

2.80 The Committee finds that the small tea growers are spread across the country. State-wise data showing the number of small holdings is as under:

State	No. of Small holdings
Assam	64597
West Bengal	9990

Others (Tripura, Arunachal Pradesh, Manipur, Mizoram, ,Nagaland, Sikkim, Utrakhand, Himachal Pradesh, Bihar)	8354
NORTH INDIA	83941
Tamil Nadu	68147
Kerala	5402
Karnataka	14
SOUTH INDIA	73563
ALL INDIA	157504*

2.81 Despite a significant contribution in Indian tea industry, the Committee finds that more than 80% of small tea growers are not registered with the Tea Board. This non-registration deprives them from various assistance schemes of the Tea Board as well as credit facilities from organized financial institutions.

2.82 On enquiring about the reasons behind the non-registration of small growers, the Department informed that since most of the small growers in Assam and West Bengal do not possess the required land documents to establish their ownership, hence, they were not registered by the Tea Board. It was informed that the Tea Board has, however, extended financial support to the State Governments of Assam, West Bengal, Himachal Pradesh and Tripura to conduct a base line survey for complete enumeration of the small growers in those States. While the survey in Assam has since been completed, it is under progress in West Bengal, Tripura and Himachal. On completion of the surveys, the Board would be in a position to regularize the registration and permission issues, provided the State Government confirms their land ownership. It was noted that the survey in Assam showed that only 40% of growers are having land documents and the

second phase of the survey in the remaining 13 districts of the state would be carried out shortly. The details of the survey in Assam are as follows:

1	Total number of STGs in the 14 districts	68,465
2	Area under tea plantation in Hectares	47,368
3	% of growers not registered with Tea Board	93%

2.83 The Committee notes that as of June 2012, total number of small tea growers registered with Tea Board is 32895 out of the total estimated number of 157504 growers. **The Committee is of considered view that the Department should make all efforts to complete the survey of small growers and register them within a fixed time frame of three years and provide necessary assistance for their overall development and participation in Indian tea industry on sustained basis.**

Constraints of Tea Act, 1953

2.84 Sections 12 and 14 of Tea Act 1953 provide for issuing planting permission/Registration of tea gardens. As per the provisions planting permission/registration has been given for all the big tea estates with tea area more than 10.12 ha in the country based on specific documents produced by the garden owners as to ownership of the land, supporting survey maps and soil suitability reports etc. Same procedures were followed for issuing planting permission/registration to small tea growers as well. However there is no provision for providing *post facto* planting permission to those growers who have already taken up planting. It has been noticed that several thousands of small growers have taken up planting without any advance intimation to Tea Board. In many such cases, the growers did not have legitimate land ownership records, mandatory soil suitability certificate and the consent of the concerned State

Government as to the land conversion. In fact, the unbridled expansion of tea by the small growers in West Bengal forced the State Government to impose a ban in June 2001 and the Tea Board was requested not to register the growers who do not possess No Objection Certificate issued by the State Government. Similar directive has been issued by the Union Ministry of Forest & Environment in the case of tea cultivation in Arunachal Pradesh.

2.85 The Committee understands that the provisions of Tea Act, 1953 for planting permit were framed keeping in view the obligation of India in terms of the International Tea Agreement (ITA) which was in force at the time of enacting Tea Act. The said ITA was put in place to regulate the production and to avoid over production and glut in the global market. As per the Agreement each producing country was allotted a quota as to the area to be under tea and the volume to be exported. The Committee observes that the agreement expired in 1956 and the relevance of indicated quotas of production from different countries and the corresponding planting permission no longer exists. However the said provision for planting permission prior to planting in a new area still continues to be enforced by the Tea Board of India and that too to such extent that during the last two decades, several thousands of small tea growers have planted tea in their small holdings without taking planting permission from Tea Board. On being pointed out, the Department clarified that a proposal is being submitted by Tea Board to amend the Tea Act for exempting the small tea growers holding below 10.12 ha from the purview of Sections 12 and 14 of Tea Act 1953. The Committee would like the Department to come forward with the necessary

amendment in the Act without any further delay to facilitate the regularization of planting already carried out by the growers.

2.86 The Committee is happy to note that Tea Board has already obtained requisite approval of the Government for setting up of a separate Directorate with adequate manpower for looking after the developmental needs of the small growers. This directorate is expected to become functional from September 2012 and an all out effort would be made to enumerate all the small growers in the country during the course of 12th Five Year plan period. **The Committee hopes that creation of Small Grower Development Directorate would be able to provide effective extension services, better management from plantation to marketing, improvement of quality and value addition, development of export potential of small growers, enable better price realisation by the small tea growers, and help in the overall development of the sector. The Committee would like the Department to commission the functioning of the Directorate within the current financial year.**

2.87 The Committee learns that it is proposed to issue the growers with an identity card so as to facilitate them to enroll with primary producer groups of Self Help Groups for availing the common benefits and also for supplying green leaf to the tea factories registered with Tea Board. However, for availing individual benefits the grower needs to produce documentary evidence as to the legal ownership of the land. **The Committee welcomes the initiative of issuing the Identity Card to the small growers for enabling them avail the assistance. The Committee, however, is of the view that these cards do not solve the moot problem since a significant number of small growers do not have documentary evidence as to the legal ownership of the land. The**

Committee desires the Department to engage the State Governments on this issue and find out a workable solution to the problem of small growers with no land *pattas*.

2.88 The Committee feels that most of the small tea growers are new in the business and the size of their holdings being very small, they suffer from lack of technical knowledge and credit support, poor price realization etc. due to which a set of leaf-agents have emerged in the system making high margin in green leaf prices without adding any value. The Committee recommends that the Government should take firm action to eliminate the role of the middle-man impeding the growers to realize the actual price available in the tea market. It is rather of the view that the Government should consider the setting up of an 'Exclusive Market Federation' by providing marketing support and protection for the small tea growers

2.89 The Committee feels that the small tea growers being new in the business needs more attention patronage of the Tea Board. The Committee also feels that the Government should take necessary action for imparting training to these growers of the modern farm practices so as to enable them to increasing their production and climb up the ladder of success. There is an urgent need for introduction of an institutional framework for advisory and extension services Also, the information pertaining to the developmental schemes should be made available to the small growers in the local languages. The Committee is of the opinion that small growers should also be included under the insurance scheme to protect their incomes.

GENERAL RECOMMENDATIONS OF THE COMMITTEE

(a) Declaration of Tea as National Drink

2.90 During its interactions with the stakeholders and study visits, the Committee noticed an overwhelming demand from nearly all the stakeholders of the tea industry that tea should be given the status of "National Drink". The Committee was informed that 83 per cent of households in India consumed tea while penetration of tea is purportedly in the range of 96 per cent to 99 per cent in both urban and rural areas of the country and probably no other beverage in the world had such high level of penetration. With a land area of 580,000 hectares and more under tea cultivation, India offers the widest range of teas in terms of taste, strength and flavour-Darjeeling, Assam Orthodox, Assam CTC, Dooars-Terai, Nilgiri CTC, Kangra and green. It is the fourth largest exporter of tea with a share of about 12% of global exports. In view of the huge volume of consumption of tea in India, even much higher to that of milk, it was requested that tea should be declared as India's national drink and getting this formal recognition would give a major impetus to building the brand of the beverage which is indigenous to India.

2.91 The Committee learns that many countries have declared their national drinks for instance Argentina has declared Mate as its national drink; in Brazil Cachaga enjoys this status. Similarly, Pakistan has identified sugar cane juice as its national drink long ago and China also declared green tea as its national drink. The Committee wonders as to why tea has not been given the status of national drink despite its presence in every day life of Indians. Though the matter was examined by the Ministry of Commerce in the year 2006, no decision has been taken yet. The Committee is of the view that tea is an integral part of the

socio-cultural milieu of the country and enjoys a space in the hearth of every home irrespective of caste, class, religion and economic status of the person.

2.92 The Committee notes that tea is indigenous to India and is the only beverage which has roots in India's freedom struggle as the first Indian tea planter, Maniram Dewan was hanged for his role in the 1857 mutiny. It is the most widely consumed beverage across the length and breadth of the nation. Tea is the cheapest beverage in the world, next only to water. Further, the tea industry is agro-based and labour intensive, providing direct employment to over 1 million persons. Through its forward and backward linkages another 10 million persons derive their livelihood. It is also the largest employer of women amongst the organized industries in India since women constitute nearly 51% of the total workforce.

2.93 Fears were expressed before the Committee that declaring tea as a 'national drink' will be at the cost of coffee or other beverages. However, the Committee agrees with the submission offered before it that the declaration of mango as national fruit did not undermine the position held by apple or other fruits for that matter. Similarly, declaration of tiger as the national animal did not endanger other animals. So the fear that declaring tea as national drink will out shadow any other beverage appears unfounded. Such a declaration will only help tea further build its brand image.

2.94 In view of the above, the Committee would like the Department to consider declaring tea as a "National Drink" keeping in mind the growing demand from the stake-holders of the industry and the heritage value it carries. Also, its essential presence in the life of every Indian, directly or indirectly, assumes sufficient reason to declare it as a national drink. Its

declaration as national drink would give it desired prominence in promotional schemes and activities strengthening the beverage's association with India in global markets and helping in exports.

(b) Support for Cooperatives and Self Help Groups

2.95 The small plantations suffer many constraints like poor economies of scale, rising cost of inputs, etc. which has affected them in getting remunerative prices for their produce. Non-registration of more than 80 per cent of small tea growers with the Tea Board is depriving them from various assistance schemes of the Government and credit facilities from organized financial institutions. Also, the handicap in the extent of modern farm practices being adopted by small tea farmers and the quality of extension services received from Tea Board and Tea Research association, difficulties being faced in the absence of public sector marketing infrastructure, relationship with Bought Leaf factories and the assistance being extended by the Tea Board for migration to production of orthodox tea are significant. **The Committee feels that the solution to the problem lies in formation of co-operatives and Self Help Groups wherein the small growers can pool in their limited resources and capability to fight the inherent constraints. It would bestow the small growers the opportunity to elbow the middle men and would also bring better bargaining power to them. The Committee desires that the Department should evolve a mechanism to promote the formation of co-operatives and Self Help Groups by way of incentives to any such efforts and extend the assistance available under its various schemes to such co-operatives and Self Help Groups.**

(c) Labour Issues

2.96 During its visit to tea and coffee plantations in South India, attention of the Committee was drawn towards the amendment in the Plantation Labour Act that has empowered the trade union and even the workers to file complaints directly in the Criminal Court for prosecuting the employers including Directors for alleged offences under the said Act. It was informed that the amendment resulted in causing of unnecessary litigations on frivolous matters. In fact, more than 300 cases were filed against managers and senior officers in various plantations. **The Committee would like the Department to look into the problem in a comprehensive manner and find a solution to it.**

2.97 It was further submitted that amendment of para 26 of Employees Provident Fund (EPF) Scheme 1952 has diluted the earlier requirement of service of 60 days attendance within a period of 3 months necessary for enrolment to the fund and has instead made it mandatory for the employee who is engaged even for a day. It was argued that since migratory labours are used for seasonal (peak) operations who never stick to a particular estate and keep on changing place of work, most of them object to the deductions made for the PF as they do not work at the same place always. This causes undue hardship and it was suggested that the necessary amendments be made to the Provident Fund Scheme excluding plantations from the requirement of paying PF for employment below 60 days. The Committee was also apprised of leniency in collection of employers' contribution in Northeastern region. **The Committee would like the Department to look into the two issues connected with Provident Fund and redress the problems mentioned.**

(d) Organic Tea

2.98 Organic tea holds immense potential to get remunerative prices to the growers. Organic tea cultivation could be a solution to restore/increase the continuous depleting crop productivity under the present chemical farming practice; to restore soil/ecosystem, depleted under years of synthetic fertilizers and agro-chemical application; to reduce toxic residues in the food chain; to restore and enhance depleted food quality; to redress the problem of climate change and to generate employment and reduce health hazards for the workers.

2.99 The Committee learnt that the entire Indian production of organic tea is exported, the major destinations being UK, Germany, USA and Japan. Organic tea was introduced to the world market in the mid-1980s. Its demand has grown at the rate of 10% and is ever increasing. However, in volume terms, trading in organic tea is still insignificant when compared to black tea.

2.100 Being labour intensive, organic tea farming generates huge scope for employment. The benefits can also be seen in the fact that workers directly associated with cultivation as well as their family members are direct beneficiaries of health benefits following stoppage of chemical usage and introduction of organic practices. Also, scope for low carbon/carbon neutral teas can provide them exclusivity and fetch premium prices in the world market. Further, converting to organic would address the increasing stringency in terms of MRL limits from the international buyers and help in restoration and conservation of the rich ecology/biodiversity. **The Committee recommends to the Department to provide subsidy on organic soil input so that organic soil management and organic tea farming could be encouraged. Incentives**

should also be given to encourage the growers achieve higher crop over target yield to attain higher productivity per hectare.

2.101 The Committee notes that while presently, export of organic tea is providing economic sustenance, long term organic production is always a challenge which needs to be addressed in a scientific manner. The Committee has been informed by the Department that during the XI Plan period, an R & D project for organic tea development was implemented in collaboration with Food and Agriculture Organisation (FAO), International Federation of Organic Agriculture Movement (IFOAM) and Common Fund for Commodities (CFC). The main objective of the project was to evolve a package of practices for enabling new comers to take up organic cultivation with proper guidance from Tea Board. The project was started in September, 2009 initially for a period of 3 years and it was further extended for another 2 years. All the three research institutes in the country have been associated with the project and three model farms, each of 100 Ha have been established-one each in Assam, Darjeeling and Munnar in South India. Based on the feedback from implementation of the project, it is proposed to provide incentives to the organic tea producers during the 12th Five-Year-Plan. **The Committee understands that the Tea Board had submitted this project proposal through the Food & Agriculture Organisation (FAO) aimed at development of technology and system of organic tea production by setting up model organic farms, for funding by the Common Fund for Commodities (CFC) as early as 2002 but the project could only start in 2009.**

2.102 **The Committee is concerned over the delay in firming up the package of best practices for organic tea cultivation as envisaged. The**

Committee desires that the Department come up with a comprehensive package of organic practices as recommended by Food and Agriculture Organization and also promote on-farm compost production which will significantly reduce the cost of production and enable economic sustainability of organic farming.

2.103 It is noticed that the Tea Board of India which has been designated as the accreditation agency for organic tea has not certified a single small grower for organic tea cultivation. The Committee wonders as to why the small growers have been kept out of the organic tea movement despite there being huge prospect of promoting organic tea cultivation among small growers. These small growers already possess livestock on their plantations and have been in production of farm compost for long. Further, the financial constraints restraining their capacity to use chemical fertilizers and pesticides in their fields have made it easier for them to switch over to organic tea cultivation. The Committee strongly recommends that the Department take necessary steps to promote organic tea cultivation among small tea growers and include them too for training programmes on organic tea cultivation. It also desires that special incentives may be extended for formation of cooperatives of small growers for organic tea cultivation.

2.104 The Committee finds that organic tea is directly marketed and producers have to travel extensively in Europe, US and Japan and directly contact organic consumer groups for sale of their product. The Committee accordingly would like the Department to facilitate the growers in search of markets for organic tea through appropriate incentives to them.

III. COFFEE SECTOR

3.1 Coffee is the second largest traded commodity in the world, next only to petroleum and is popularly referred to as 'Brown Gold'. Coffee is grown in about 80 countries across the globe, of which over 50 are considered to be the major producers. The global production has been 131 million bags (79 Lakh MT) in 2011-12 and the consumption has been 137.1 million bags in 2010 (137.9 million bags in 2011 provisionally). The major coffee consuming countries are developed countries. It is interesting to note that 30% of the coffee is consumed in the producing countries while the remaining 70% in consuming countries (developed countries). The Coffee industry engages 100 million people world-wide of which 26 million are small growers.

3.2 India is one of the major producing countries and ranks sixth in the world after Brazil, Columbia, Vietnam, Indonesia and Mexico. With only about 2% share in the global coffee area, India contributes about 4% towards the world production and between 4 to 4.5% of global coffee exports. In India, coffee is cultivated in about 4.10 lakh hectares mainly confined to southern states of Karnataka (57%), Kerala (21%) and Tamil Nadu (8%), which form traditional coffee tracts. To a lesser extent, coffee is also grown in non-traditional areas like Andhra Pradesh and Odisha as well as North Eastern States, with the main objective of improving the livelihood of local tribal by providing them with sustainable income generation from coffee and intercrops like pepper and reforestation in the barren hills affected by shifting cultivation. Coffee sector provides employment opportunities to more than five lakh workers in the growing sector and an equal numbers get indirect employment in processing and trade.

3.3 Based on the distinct climate and growing conditions, the coffee growing regions of the country have been demarcated into 13 geographic regions for providing distinct identity to the regional coffees in the export market. Besides, India also produces specially processed coffees viz., Robusta Kaapi Royale, Mysore Nuggets Extra Bold and Monsooned Malabar which are well known in the international market.

3.4 The uniqueness of Indian coffee is that it is grown under the canopy of shade trees. It is one of the most eco-friendly crops in India that helps to preserve the bio-diversity in the ecologically sensitive Western and Eastern Ghats. India is the producer of both Arabica and Robusta varieties of coffee in the proportion of 32:68. Karnataka produces 71% coffee in India. In Karnataka, Coorg, Chikmagalur and Hassan are the major districts which produce both Arabica and Robusta in almost equal proportion, while Kerala specializes in Robusta and Tamilnadu in Arabica. Liberica (Tree coffee) is less known and occupies third place in production. The southern states of Karnataka, Kerala and Tamil Nadu together contribute about 98% of the country's production while the remaining production comes from the Tribal areas of Andhra Pradesh, Odisha and the North East region.

3.5 Arabica is mild coffee, but the beans being more aromatic, it has higher market value compared to Robusta beans. On the other hand Robusta has more strength and is, therefore, used in making various blends. Arabica is grown in higher altitudes than Robusta. The cool and equable temperature, ranging between 15⁰C to 25⁰C, is suitable for Arabica while for Robusta, hot and humid climate with temperature ranging from 20⁰C to 30⁰C is suitable.

PERFORMANCE OF COFFEE SECTOR

(a) Coffee Plantations

3.6 Indian coffee industry has registered progress and the area under coffee plantations increased by four fold from 92,523 ha to 4,09,690 during the period 1950-51 to 2011-12. The table below gives a detailed overview of the area under coffee plantations in the country:-

Planted area under coffee (in ha)

State	2007-08			2008-09			2009-10			2010-11			2011-12		
	Ara.	Rob.	Total												
Karnataka	109895	115563	225458	110298	116602	226900	110023	117317	227340	109173	118577	227750	109128	120530	229658
Kerala	3762	80954	84716	3742	80954	84696	3711	81085	84796	3761	81170	84931	3865	81083	84948
Tamil Nadu	25708	5636	31344	25708	5636	31344	25708	5636	31344	25739	5605	31344	25708	5636	31344
NTA (AP & Orissa)	40648	268	40916	45728	268	45996	50518	268	50786	55362	268	55630	58332	268	58600
NER	4405	1356	5761	4035	1381	5416	4035	1382	5417	3895	1095	4990	4037	1103	5140
All India	184418	203777	388195	189511	204841	394352	193995	205688	399683	197930	206715	404645	201070	208620	409690

3.7 The Committee notes that the total area under Arabica and Robusta is 2,01,070 ha and 2,08,620 ha respectively in 2011-12. The Committee is, however, concerned to note that the plantation area under Arabica has grown comparatively slower than Robusta. The Committee notes that during 1980-81 the area under Arabica coffee was 1,09,454 ha while that of Robusta was 98,815 ha. In a span of about 30 years, the area under Arabica has grown by about 80% to 1,97,930 ha while that of Robusta by about 109% to 2,06,715 ha. Arabica was spread across 73% of total coffee area in 1950-51 which declined to 49% in 2011-12. The slow growth of area under Arabica is mainly due to the fact that Arabica requires intensive cultivation involving more labour and inputs resulting in high costs when compared to Robusta coffee. Secondly, the productivity levels

of Arabica have declined from about 700kg/ha during 2000-01 to a level of about 510kg/ha during 2008-09 owing to a combination of factors like low prices, drought and outbreak of pests and diseases as well as existence of old/ senile plants, disease susceptibility and low yielding plant material. However, the productivity levels have started improving from 2009-10 onwards.

3.8 The Committee is perturbed to note that Arabica which has a greater demand in the international market has not been given due attention for its desired growth and expansion. The share of Arabica which was around 70% during 1970s has come down to 30%. World over Arabica is the largest traded variety with nearly 70% of world coffee trade. Though Indian Arabica are grouped under 'Other Milds' category and compete with coffees from Latin American countries, the growing conditions are not as ideally suitable as in the case of Latin American countries. The Committee is of the considered view that though Indian Robusta is doing well presently, but this positive trend may not continue for a long period of time as Brazil and Vietnam are going to increase Robusta output in a big way at much lower costs because of better natural conditions. The Committee would like to emphasise the other benefits of Arabica as it provides better livelihood to more number of labourers and also brings about an ecological balance for it requires more shade than Robusta. The Committee strongly recommends the Department to promote Arabica production in the country by providing suitable incentives for replantation and new planting. The subsidy for Replanting and expansion of Arabica should be at least 50% for the small growers and an appropriate level of support should also be provided to cooperatives and corporate, since Arabica is mostly cultivated

by the large plantations. McKinsey's report of early 2000s also advocated a similar suggestion.

3.9 The Committee notes that there are approximately 2.80 lakh holdings in India, of which 99% come under small holder category (10 hectares and less). These small holdings occupy around 75% of the area under coffee and contribute around 70% of the country's production. Among the small holdings, nearly 1.60 lakh holdings are owned by the tribal people in the non-traditional areas of Andhra Pradesh and Odisha as well as the North East Region. The remaining 1% of the holdings with more than 10 ha of land comes under the medium, large and corporate sector categories which occupy about 25% of the area but contribute nearly 30% of the total production. The following table gives an idea about the number of coffee growers in the country:-

No. of growers

State	2011-12		
	<10ha	>10ha	Total
Karnataka	67444	2008	69452
Kerala	76960	275	77235
Tamil Nadu	15847	422	16269
NTA (AP & Orissa)	110766	26	110792
NER	7074	9	7083
All India	278091	2740	280831

3.10 The Committee learns that prior to liberalization of coffee marketing in India all coffee holdings were required to be registered under Rule 13 of the Coffee Act 1942. Coffee Board had carried out a comprehensive survey of coffee holdings during 1972-75 under an International Coffee Organization (ICO)

sponsored census project. Subsequent to liberalization of coffee marketing in 1992-94 the requirement for registration was removed. Since then the updation of data on coffee holdings was being done by the Extension wing of the Board. This has its limitations since many activities might be undertaken by the growers which may not be within the scope of the development support schemes implemented by the Board and hence may not come to the notice of the extension officials.

3.11 The Committee takes serious note of the fact that the data regarding coffee landholdings are being updated in an ad-hoc manner. It has, however, been informed that the Department proposes to update the data base on coffee holdings during XII Plan by employing modern tools like GIS based remote sensing application in collaboration with the ISRO. The Committee welcomes the proposal and recommends the Department to earnestly complete the survey of coffee landholdings so that schemes and policies for development of coffee plantations may be framed efficaciously.

3.12 The Committee also desires that all efforts must be made to expand the area under coffee cultivation. It recommends the Department to explore all the possibilities and carry out necessary survey in this regard.

3.13 The Committee during its study visit to Karnataka discovered that in the Kodagu district many privately owned coffee land holdings, which have been left unattended by growers due to their absence from the farm, have been declared 'Deemed Forests' and hence could not be continued under coffee cultivation. This has caused problem especially for the retired armed forces personnel who have returned home after military service and want to restart coffee cultivation. **The Committee recommends the Department to take up the matter with the**

Ministry of Environment and Forests, Government of India and the State Government and constitute a Task Force to examine the entire issue and also other such issues so as to find a solution to the problem.

(b) Production and Productivity of Coffee

3.14 The production of coffee in India rose steadily from 1950-51 onwards and reached the peak in 2000-01 at 3,00,600 MT but subsequently slumped during the period from 2001-02 to 2005-06 mainly on account of cumulative impact of slump in global coffee price, occurrence of drought and outbreak of pests and diseases during the period. The country's coffee production crossed the 2000-01 level mark (3,00,600 MT) during 2010-11 with a production of 3,02,000 MT after a gap of 10 years. In 2011-12, the production reached an all time high of 3,14,000 MT. The table below gives a detailed overview of the Arabica and Robusta production in last five years:

Production (in MT)

State	2007-08			2008-09			2009-10			2010-11			2011-12		
	Ara.	Rob.	Total												
Karnataka	73950	117625	191575	61135	122725	183860	73400	132300	205700	74580	139200	213780	79825	141175	221000
Kerala	1300	47700	49000	1425	55775	57200	1375	57875	59250	1625	64025	65650	1900	66200	68100
Tamil Nadu	14050	4050	18100	12070	4185	16255	14650	4700	19350	12150	4500	16650	13385	4965	18350
NTA (AP & Orissa)	3110	65	3175	4800	70	4870	5100	85	5185	5685	65	5750	6245	85	6330
NER	90	60	150	70	45	115	75	40	115	100	70	170	145	75	220
All India	92500	169500	262000	79500	182800	262300	94600	195000	289600	94140	207860	302000	101500	212500	314000

3.15 The Committee finds that production targets fixed by the Coffee Board for the XI Plan could not be achieved on account of adverse weather conditions and un-remunerative prices. Accordingly, production targets were revised as follows:

Coffee production MT

Year	Original target (MT)	Revised Target (MT)	Achievement (MT)
2007-08	287000	287000	262000
2008-09	300000	293000	262300
2009-10	310000	290000	289600
2010-11	323000	300000	302000
2011-12	335000	320000	233000*

*Post-blossom estimates

3.16 The Committee is disappointed to note that during XI Plan the Coffee Board revised the original target downward to the tune of 65,000 MT and it still fell short by 62,100 MT of the revised target. In view of the non-realisation of the revised targets of production during XI Plan, the Committee desires that the Department take effective steps towards increasing the production of coffee in the country. It recommends that measures to increase the productivity per hectare be taken earnestly and the State Governments of non-traditional coffee growing States be engaged more vigorously to increase the area under coffee plantation.

3.17 The productivity of coffee has seen significant growth over the five decades from 1950-51 to 2000-01 in the country from a meagre level of about 200 kg/ha to the highest level of 960 kg/ha (Arabica-713 kg/ha & Robusta-1175 kg/ha). The productivity levels suffered setbacks due to severe price crisis and prolonged drought during 2002-2004 reaching the lowest mark of 748kg/ha during 2008-09. However, due to favourable weather and prices for the last couple of years, there has been a gradual recovery in productivity of coffee in the country. At present, the productivity is 868 kg/ha (Arabica-610 kg/ha & Robusta-1088 kg/ha).

3.18 The Committee was informed that growing conditions of coffee in the country are not favourable to fetch much productivity. The long dry period coupled with high temperatures make it mandatory to grow coffee under shade which adversely affects the overall productivity. On the other hand, the rich volcanic soils, moderate temperatures, well distributed rainfall etc. prevailing in other countries like Latin America, South America and Vietnam offer unique advantage for growing coffee and hence the productivity levels in these countries are high.

3.19 The productivity of Arabica coffee is highest in Costa Rica (986 kg/ha) while that of Robusta is highest in Vietnam (2150 kg/ha). In Brazil which produces both Arabica and Robusta coffee in a 80:20 ratio, the productivity is about 1300 kg/ha.

3.20 The Department has informed that despite the disadvantageous position, India is one among the top five high productivity regions with an overall average productivity of 868 kg/ha. But within India, the productivity levels of Arabica and Robusta vary from one state to another. The productivity of Arabica coffee is highest in Karnataka (819 kg/ha) which can be compared with the productivity levels achieved in many of the Latin American and South American countries for Arabica. The productivity of robusta coffee is high in Karnataka at about 1300 kg/ha which is next only to the Vietnam and Brazil. The productivity levels of coffee in the tribal areas of non-traditional areas and North East Region are low as these areas have been brought under coffee only recently.

3.21 The Committee is of the view that if the country has once attained the productivity of 960 kg/ha, then there is no reason that it cannot again achieve the same standard of productivity. The Committee is convinced

that if appropriate cultural practices are followed along with replantation and rejuvenation of old and senile bushes, then the productivity can even surpass the highest ever productivity level. The Committee desires that the Department take appropriate steps specific to the requirements of each coffee producing state to enable them to increase the productivity of coffee. Also, it must make earnest efforts to evolve drought tolerant varieties and technologies for mitigating the effects of climate change as well as pay focused attention on evolving effective control measures against leaf rust, white stem borer, quality, etc.

(c) Coffee Exports

3.22 Coffee occupies a prime position among the plantation crops in the country with about 65% to 70% of coffee produced in the country being exported while the rest is consumed within the country. Indian coffee industry earns over Rs. 3,000 crores, posting a record of Rs. 3,355 crore and Rs. 4,886 crore (including re-exports) with 2010-11 and 2011-12, respectively. The Committee is happy to learn that in 2011-12, India has moved from sixth position to fifth position in terms of coffee exports with a share of 4.9%.

3.23 Indian Coffee is exported primarily to traditional markets in the European Union with increasing visibility in high value markets viz., USA, Canada, Japan, Australia, and New Zealand fetching a fairly good premium for Indian coffees. The Indian Arabica earns premiums under 'Other Milds' category and the Indian Robusta are rated the best in the world for its good blending quality. The premium earned by Indian Washed Robusta ranges from USD 400 to USD 850 per tonne over international price.

3.24 Though coffee is primarily an export commodity in India, substantial imports also take place by 100% Export Oriented Units (EOUs) primarily for value addition and re-exports. The imports for re-exports have been increasing steadily during the past few years from about 9,000 MT valued at Rs. 25 crores in 2003-04 to about 45,000 MT valued at 295.0 crores in 2010-11. The Committee learns that a 100% import duty on coffee, whether or not roasted / decaffeinated, has been placed to discourage import of coffee into the domestic market. Import tariff on extracts, essence and concentrates of coffee is 30%.

3.25 The Committee appreciates the export promotion initiatives of the Coffee Board which are as detailed below:

- Exports of high value coffee to far-off destinations as well as extending incentives for export of value added coffees;
- Continuous high level interactions with International Coffee Community through participation in the deliberations of International Coffee Organization;
- Providing sustained visibility of Indian coffee in international market by giving the Exporters opportunity to participate in International Coffee Conferences/ events and Expos;
- Organizing Flavour of India- cupping competition to create market for high value coffees by enhancing visibility as well as bring in Roasters from high value coffee consuming countries like USA, Japan, etc.;
- Organizing Buyer-Seller meets in key markets, media campaigns in coffee consuming countries, encourage the exporters with Annual Export Awards;
- Under Foreign Trade Policy 2009-14, duty draw back (1%), VKGUY benefit (5%) are extended; AND
- Taking up brand promotion initiatives in key overseas markets through advertisements, PR Campaigns, promotion methods like films, CD/DVDs on Indian coffee.

3.26 The Committee finds that the Coffee Board had projected an average annual rate of 5% growth in exports on the base year of 2.00 lakh MT achieved in

2005-06. However, due to shortfall in production in the first four years of XI Plan, the export targets were revised, on a year to year basis as mentioned below:-

Coffee Exports MT

Year	Original target (MT)	Revised Target (MT)	Achievement (MT)
2007-08	210000	210000	218996
2008-09	220000	210000	197173
2009-10	230000	200000	196062
2010-11	240000	225000	320681*
2011-12	250000	220000	

*Provisional based on export permits issued.

3.27 The Committee notes that the volume of exports of Indian coffee has not increased significantly over the years. The major constraint in enhancing the volume base of coffee exports is limited production of coffee on account of limitations in expanding the production base of coffee in short term in the country and also due to rapid increase in its domestic consumption which is growing at the rate of 5-6% per annum. **The Committee is of the view that if the country were to maintain its share of exports as also to sustain the domestic market requirement, it has to grow at 5% per annum. Our preparedness, however, is yet to gain full momentum. The Committee, therefore, recommends that the Department concentrate on increasing the country's coffee production by increasing the area under cultivation where possible, increase productivity levels through relevant R&D activities for developing suitable varieties and extend intensive extension and development support for effective drought mitigation, efficient shade management and integrated pests/diseases management etc. to the growers.**

3.28 Traditionally bulk of Indian Coffee exports are in the form of conventional, commercial product i.e., green beans form. This has resulted in lesser value realisation of exports. **The Committee desires that the Department take**

adequate steps to enhance value realizations through export of high value specialty coffees, value added coffees and certified coffees under the sustainable coffees category for which good demand exists in the global market.

(d) Domestic Consumption of Coffee

3.29 The growth of domestic coffee consumption in the country remained low at the rate of nearly 2% during the period from 1951 to 2000. It remained stagnant at around 55,000 to 60,000 metric tonnes during the period between 1990 and 1999 with a per capita consumption about less than 50 grams. However, from the year 2000 onwards the domestic consumption has recorded significant growth at about 5-6% per annum. The main reason behind the spurt in domestic coffee consumption has been the rising disposable income, IT and BT sector boom and growing urbanisation. The Committee notes that keeping in mind the fast growing domestic market, the consumption targets were proposed at a growth rate of 5% per annum over the base year of 85,000 MT during 2006-07.

3.30 The targets and achievements of domestic coffee consumption during XI Plan are as follows:

Domestic Coffee Consumption (MT)

Year	Target (MT)	Achievement (MT)
2007-08	86000	90000
2008-09	92000	94400
2009-10	100000	102000
2010-11	109000	108000*
2011-12**	120000	

*Provisional;

**being assessed.

3.31 The Committee is happy to note that the target for domestic consumption was achieved in the first four years of the XI Plan.

COFFEE BOARD

3.32 The overall growth and development of coffee sector in India is the main responsibility of the Coffee Board. The Board acts as facilitator, philosopher and guide for holistic development of the entire chain of coffee industry. The Coffee Board is a statutory body under the administrative control of the Ministry of Commerce and Industry, Government of India. It was constituted through an Act of Parliament (Coffee Act, 1942) and comprises of 33 members including the Chairman of the Board who is appointed by the Government of India and acts as the Chief Executive of the Board. The remaining 32 members represent various interests such as coffee growing industry, coffee trade, curing establishments, labour and consumer interests, representatives of Governments of principal coffee growing States as well as other than principal coffee growing States, and the Members of Parliament.

3.33 The Coffee Board began its journey as a private marketing agency for coffee and after pooled (controlled) marketing system was discontinued in 1996 in tune with liberalization towards free market system; it transformed itself as a Central Agency with detailed focus on research, development, extension, quality upgradation, market information, and the domestic and external promotion of coffee of India. The activities of the Board are broadly aimed at (i) enhancement of production, productivity and quality; (ii) export promotion for achieving higher value returns for Indian Coffee; and (iii) supporting development of domestic market.

3.34 The Board functions through its six Standing Committees, which are appointed for a term of one year each. These Committees are- Propaganda

Committee, Marketing Committee, Research Committee, Development Committee, Quality Committee and Executive Committee.

3.35 The Coffee Board has its vision to maintain the present share of exports and domestic consumption at 70:30 ratio, to increase the production by about 2.5% annually with the dual approach of expansion of coffee areas in traditional as well as non-traditional regions and enhancement in productivity, and to achieve higher realizations for Indian Coffee by improving quality and value addition.

3.36 During an interaction with the Coffee Board at Bengaluru, many non-official Members of the Board expressed their unhappiness over the process of consultations in the Board since most of the time their views were not sought on urgent policy and administrative matters. It was submitted that the Executive Committee should be more actively involved in all the personnel matters. Also, Members should be given more opportunity to look into the working of the extension office of the Board as a part of social auditing which a Member is supposed to do.

3.37 The Committee is of the considered view that the Coffee Board should play a more purposeful role in the years ahead, for which its organizational structure will have to undergo a transformation, from a bureaucratic structure to a knowledge based centre. The hierarchical structure may have to be replaced with professionals, experts and cultivators with specialization in their respective fields and capable of responding to the requirement and expectations of the different sections of the industry. The organization needs to engage specialists in areas such as, research, post harvest management and processing, quality assurance

including standards, export and domestic marketing, facilitation, market research and information systems. The conventional organizational structure will have to undergo complete modification with more and more professionals joining the organization.

3.38 It was also requested that in view of the necessity to increase the domestic consumption of coffee in the country which would also protect the industry from the volatility of World price, the post of a Head of Promotion should be created who would be accountable to the Chairman/Propaganda Committee and finally to the Board.

3.39 On enquiring about the reasons for the vacancy in the post of Director [Promotion], the Committee was informed that Indian Institute of Management, Calcutta [IIMC], in their study report on Commodity Boards viz., Rubber, Coffee & Tea conducted during 2005, have recommended for abolition of the post of Director [Promotion]. The Coffee Board was informed during November, 2007 that the post of Director [Promotion] would stand abolished once the same is vacated by the then incumbent in July, 2008. Accordingly, the works related to promotional activities are being looked after by the Director of Finance, in addition to her normal duties. **The Committee is of the considered view that coffee promotion is an important task that cannot be discharged as an additional function. The Committee learns that proposal for creation of the post of Director of Promotion has been received from the Board and is under consideration of the Department. The Committee strongly recommends the Department to create the post of Director again and fill the same on priority.**

3.40 The Committee notes that a large number of employees are working on contract for many years in Coffee Homes run by the Coffee Board. The Committee was told that these employees could not be regularized on account of few sanctioned regular posts. The Committee finds that the sanctioned posts of the employees for Coffee Homes are very less. **The Committee wonders as to why there is a skeletal staff provision in Coffee Homes which are the showcase of Indian Coffee and Coffee Board. The Committee is of the considered view that the Department takes necessary measures to sanction sufficient number of regular posts for employment in Coffee Homes and also undertake facelift of the Coffee Homes which enjoy vintage locations in the cities of their operation. The facelift would certainly draw more people to Coffee Homes.**

3.41 It was brought to the notice of the Committee that small growers of the State of Kerala has not got its representation on the Board for past decade. The Committee understands that small growers representatives of the three coffee growing states get representation on the Board. However, excluding representation of small growers from the State of Kerala for last 10 years is not appreciated. The Committee impresses upon the Department to redress the omission at the earliest. Further, the Committee also notes that the composition of Board membership is still reflective of its pre-free marketing era. After the opening of marketing, there has been no amendment in the Coffee Act to accommodate representation of roasters and exporters on the Board. The Committee recommends the Department to amend the Coffee Act to ensure representation of roasters/exporters on the Board.

SCHEMES/PROGRAMMES FOR DEVELOPMENT OF COFFEE

3.42 The Coffee Board implements various schemes for the development and export of Coffee which are as follows:

(A) Research & Development for Sustainable Coffee Production

3.43 The objective of this Scheme is to focus on research and development for sustainable coffee production, and also to transfer of technology from lab to land.

The scheme comprises the following components.

- i) Development of technologies for sustainable coffee production, productivity and quality;
- ii) Transfer of Technology through Extension centres;
- iii) Infrastructure development for R & D; and
- iv) Improvement of labour productivity through appropriate mechanization efforts.

3.44 The Committee notes that the total outlay for the programme during XI Plan has been Rs.90 crore. The Committee is happy to learn that disease resistant Arabica variety *Chandragiri* with high production potential was released in 2007 and three promising lines of Arabica are in advanced stage of evaluation. It was informed that the coffee industry was supported by production and supply of quality seeds and a total of 27.7 MT seed of different station bred selections was distributed as against XI Plan target of 25 MT. The Committee also notes that five types of machinery (weed cutters, pit diggers, telescopic pruners, harvesters, sprayers) were evaluated and recommended for use in coffee harvesters.

3.45 The Committee appreciates the efforts of the Coffee Board made through its Central Coffee Research Institute (CCRI) in introducing innovation in crop

strain and cultural practices. The Central Coffee Research Institute and five regional stations has a sanctioned strength of 113 scientific personnel who are involved in development of improved varieties with tolerance to major pests and diseases and standardization of technology for improving production, productivity and quality. However, the Committee is constrained to state that CCRI has still a long way to go before establishing itself a world-class coffee research institute. It is still to find an effective solution to the menace of White Stem borer. Also, the coffee harvester suitable to local conditions and bushes has not been developed. During its visit to CCRI, the Committee found that the level of exchange between the scientists of CCRI and other globally reputed coffee research Institute was minimal. Further, the incentives for innovation and breakthroughs for the research scientists were virtually nil. **The Committee recommends the Department to spruce up the functioning of Central Coffee Research Institute (CCRI) and add dynamism to it through collaboration and exchange programmes with reputed national and international research institutes/Universities so that the coffee industry could gain from the best practices available in the field.**

3.46 **The Committee was further dismayed to note that the scientists of CCRI have been put on lower pay scales in comparison to their counterparts working in other National Research Laboratories despite their similar/comparable qualifications, duties and nature of work. The Committee is of the considered view that this anomaly could be the main reason behind the high rate of attrition of meritorious researchers and scientists in CCRI. The Committee recommends the Department to take earnest steps to improve the working conditions of the researchers and**

scientists in CCRI and put their pay scale at par with those in National Research Laboratories. The Committee would like to be informed about the action in the matter within three months of the presentation of the Report.

3.47 The Committee was informed that demonstrations were made during the XI Plan period under the component of transfer of technology. The Committee appreciates the efforts of the Coffee Board in taking the technology to the fields but during its interaction with coffee growers and other stakeholders, it found that the extension services of the Coffee Board were not to the desired level. The Committee learnt that the Extension wing of the Board has a sanctioned strength of 278 technical personnel but there were only 238 personnel in actual strength. It was learnt that often the researchers and scientists of the Coffee Board double up as extension personnel as they are also involved in dissemination of latest technologies to the growers, organizing capacity building and training programmes to the growers and farm workers. **The Committee is of the considered view that this arrangement of researchers and scientists doubling up as extension personnel is dangerous since it adversely affects the research and innovation activities and also their effective transmission to the fields. The Committee recommends the Department to carry out a special drive to fill the vacancies of extension personnel so that effective transfer of technology to the coffee plantations can be ensured.**

3.48 The Committee has been informed that based on the study report of IIPM, a Directorate of Extension is proposed to be created for strengthening transfer of technology and capacity building programmes in coffee by creating the post of Director of Extension and six posts of Sr. Liaison Officers. It is proposed to

convert the Technology Evolution Centres into Nodal Centres for Transfer of Technology and capacity building activities. The Board's scheme namely 'Strengthening of Transfer of Technology and Capacity Building programmes in Coffee' is under consideration. **The Committee recommends the Department to expedite the creation of Directorate of Extension at the earliest.**

3.49 The Committee hopes that the Department will appreciate R&D in coffee as a continuous activity with long term programmes aimed at evolving improved plant varieties having yield and quality potential with tolerance to diseases/pests and developing production technologies based on environment friendly and economically viable approach. The Committee was informed that during the XIIth Plan period, the Board will concentrate more on (i) integration of molecular and biotechnological approaches with conventional breeding programmes for evolving elite plant varieties; (ii) commercialization of rapid multiplication especially in case of cross pollinated Robusta for supplying elite material for planting/replanting programmes; (iii) improvement in health of soil, plant and environment; mechanization of farm operations; integrated management of major pests and diseases with emphasis on bio-control and trapping techniques; (iv) diversification of holdings with new crops/activities for improving farm income; (v) eco-friendly processing techniques for minimizing effluent from wet processing; and (vi) improving coffee quality at the farm level.

3.50 **The Committee desires that CCRI should firm up its R&D Action Plan for the next five years which should include development of new High Yielding Arabica strains (resistant to leaf rust). The Committee recommends that Department make all out efforts for effective control of the White Stem Borer which is imperative to sustain Arabica production in**

India and to also prevent the conversion of Arabica estates into Robusta. The Committee also underlines the urgency of developing drought resistant varieties of Robusta to mitigate the dependency on irrigation. It also emphasizes the need to develop other more effective control measures for the Coffee Berry Borer in addition to Broca Traps and bio control agents. The Committee recommends that ICAR may also be roped in to undertake the essential researches in coffee sector.

(B) Development Support Scheme for Coffee

3.51 The scheme is aimed to provide support to coffee growers to increase production and to improve farm productivity. This scheme has seven components, details of which are as under:-

(a) Replantation

3.52 Under this component, subsidy is extended to individual growers at differential rates viz., 40% for the growers of less than 2 Ha; 30% for the growers from 2 to 10 Ha and 25% for the growers above 10 Ha. However, the corporates who have sizeable area to be replanted have been excluded.

3.53 The Committee notes that the Coffee Board has failed to achieve the physical and financial targets of replantation. The original targeted area for replantation during the XI Plan was 40000 Ha which was revised to 18,000 Ha. However, only an area of 14,500 Ha could be brought under replantation. The corporates who are excluded from the Scheme managed to bring another 7,100 Ha under replantation. Thus the total area brought under replantation during XI Plan stands at 21,600 Ha. **The Committee takes a serious note of the tardy pace of replantation. It is of the considered view that the coffee sector will be adversely affected in the medium and long term if replantation is not**

carried out in mission mode. The Committee recommends that the Department revisit the subsidy component as well as quantum of replantation cost under the scheme. It is of the considered opinions that the replanting scheme be continued in the XII Plan and subsidy to small growers may be enhanced to 50%. Further, the cooperatives and corporates should also be included with appropriate level of support under the Scheme. The Committee feels that additional incentives may be given to small growers to pool their resources as cooperatives and Self-Help groups. This will help in effective dissemination of subsidies and other assistance by the Coffee Board and the banks would also be inclined to extend loan for replantation and other infrastructure improvement projects.

3.54 The Committee also notes that the present scheme of replantation does not envisage coffee replanting to suit mechanization which will require additional contour paths to be laid in each block thereby sacrificing to a certain extent the number of plants that can be accommodated in a hectare. This results in denial of planting subsidy to the growers as the plant density per hectare falls below the prescribed norms of Coffee Board. **The Committee is of the view that the Department must address this problem and come up with a replanting model with subsidy provision for the growers desirous of coffee replanting suited to mechanization.**

(b) Water Augmentation, Quality Up-gradation and Pollution Abatement

3.55 The subsidy is extended to individual growers upto 20 ha holding size and the rate of applicable subsidy is 25% of the unit cost or Rs. 1.50 lakh whichever is less for water augmentation activities like wells, sprinkler irrigation, etc and 20% of the unit cost or Rs. 1.50 lakh whichever is less for quality up-gradation

and pollution abatement activities which includes installation of pulper machinery, construction of drying yard and store rooms/godowns for quality upgradation and creation of facilities for treatment of waste water/construction of storage lagoons etc. for pollution abatement.

3.56 The Committee is happy to note that against a target of 17,350 units fixed during XI Plan the achievement has been to the tune of 23, 120 units. **The Committee, however, feels that the problem of non-availability of water is quite widespread in the plantations adversely affecting irrigation of crops and undertaking of spraying insecticides or wet process of the coffee harvested and the physical targets fixed under the scheme may be tripled in XII Plan with adequate financial outlay for the same. In the backdrop of non-availability of water as well as the benefits accrued on creation of water tanks to the entire surrounding village, the Committee is of the considered view that that the Scheme should be made applicable to all categories of growers irrespective of extent of land holdings. Further, the subsidy rate may be enhanced appropriately for the different categories of growers and the ceiling be fixed at actual cost.**

3.57 **The Committee recommends that the rate of subsidy may be enhanced to 50% for Quality Upgradation and the assistance may also be extended to cooperatives. The Committee is also of the view that ceiling be fixed subject to a maximum of actual cost of pulping unit, drying yard and godown.**

3.58 **The Committee is at a loss to understand the reasons behind excluding all categories of growers except those with a holding of less than 20 Ha from taking the assistance under Pollution Abatement, which is**

pivotal to conservation of our environment and ecology. The Committee strongly desires that assistance under Pollution Abatement may be opened to all categories of growers irrespective of the size of holdings including cooperatives and corporates with appropriate level of subsidy support to all.

3.59 The Committee notes that the Coffee Board has recently introduced subsidy at 20% or Rs. 2.00 lakh whichever is less for Coffee driers and Eco-pulpers to growers up to 20 Ha only subject to investment of Rs. 10 lakh. The Committee learns that preparation of high quality washed coffee at the estate level through pulping results in production of coffee processing effluent that has an impact on the environment. **The Committee was informed during interaction with stakeholders that modern pulpers with least water consumption have come into the market, but the growers are not able to purchase them due to high costs. The Committee is of the view that there is an urgent need to upgrade the pulping facilities with modern eco-pulpers so as to prevent effluent generation and protect the environment. It, accordingly, recommends the Department to enhance the subsidy component to 70% to growers up to 20 Ha and 50% to other categories of growers including cooperatives and corporate so as to enable them adopt the modern pulpers. The entitlement to enhance assistance should, however, be subject to adherence to the prescribed effluent treatment norms by the growers. The Department may engage the Ministry of Environment and Forests, Government of India and Coffee Growing States for effective implementation of the programme.**

3.60 The Committee also finds that there is a frequent problem of erratic power supply to plantations which adversely affects the farm operations. The Committee desires that the Department encourage harnessing of solar energy for farm operations for which subsidy may also be extended to the growers for solar fencing of drying yard, solar lights for drying yards and solar pumps for drip irrigation, etc. The Committee desires to impress upon the Government about the efficacy of drip irrigation in high productivity of crops with less use of water. It can also be used very effectively in less use of fertilizer as shown in Brazilian/Israeli model of fertigation.

(c) Coffee Development in North Eastern Region

3.61 The Committee notes that subsidy at the rate of Rs. 20,000/hectare for expansion of coffee in 850 hectares and at the rate of Rs. 15,000/hectare for consolidation in 1,000 hectares in North East Region was provided during the XI Plan. The activities included planting and aftercare and supply of coffee seedlings/shade saplings. Also, subsidy at the rate of 90% for quality upgradation for growers below 2 hectares and at the rate of 50% for growers above 2 hectares was fixed for activities like setting up of on-farm pulpers, drying yards and storehouses.

3.62 The Committee appreciates the efforts of the Coffee Board due to which the total area covered under expansion and consolidation of area during the XI Plan period was 1944 Ha as against the target of 1850 ha and under Quality Upgradation, the target (1500 units) exceeded by 98 units. **Nevertheless, the Committee feels that the pace of expansion of coffee coverage in North Eastern Region should have been faster for two strong reasons. Firstly**

coffee production is a source of gainful employment in remote and rural areas and secondly, the country's necessity to augment coffee production.

3.63 The Committee is aware that the productivity level of coffee is quite low in North Eastern Region in comparison to the traditional coffee growing regions. **The Committee desires that the expansion in coffee area in North Eastern Region must be carried on scientific cultivation basis so that higher productivity could be attained.**

3.64 **Since the Non- traditional areas like Andhra Pradesh, Odisha and North Eastern Region hold immense prospect for Arabica cultivation, the Committee recommends the Department to extend all possible help in terms of timely supply of improved coffee seeds, shade tree saplings to establish/improve shade for coffee cultivation, quality improvement to prepare washed coffee and marketing support in these regions.**

3.65 **The Committee would also like the Department to seize the opportunity offered by coffee cultivation in the North Eastern Region where the cultivation is organic by default. It recommends the Department to take all steps to obtain Organic Certification for the coffees of the region and help establish linkage with the exporters so that the coffee could be sold at premium helping the growers and workers alike. Such coffees could also be marketed as exotic coffees for e.g. Fair Trade coffee etc. and command premium price.**

(d) Coffee Development in Non-Traditional Area

3.66 The Committee is happy to note that the total target under expansion and phasing out of Cauvery area for the XI Plan period fixed at 22,200 ha has been

achieved and the Coffee Board has exceeded the target of 5,000 units to 7095 units under Quality Upgradation through support for pulpers and drying yards.

3.67 The Committee notes that the coffee expansion programme is successful in the state of Andhra Pradesh but it is not so in the State of Odisha as well as the North Eastern region. The Committee recommends the Department to take up the matter with the concerned State Governments on priority.

(e) Capacity building for all stakeholders

3.68 Implementation of capacity building programmes for all stakeholders in coffee sector viz. coffee growers, traders/exporters/farm workers/women, personnel of the Board etc is equally important. The Committee learns that a total of 16834 persons have been covered under this component during 5 years, as against the XI Plan target of 13,500 persons. **The Committee recommends that the programme may be continued in the XII Plan for capacity creation of more number of stakeholders in the sector.**

(f) Welfare support to labourers and tiny coffee growers

3.69 Under this component, financial support is extended to the children of labourers and tiny growers of less than 2 Ha in the form of educational stipend (Rs.1500/-); incentive awards (Rs. 1000-1500/-) and financial assistance for higher education purposes. The Committee is happy to note that as against the target of 15000 beneficiaries for XI Plan, the achievement during the 5 years of XI Plan is 24000 beneficiaries. **The Committee is of the considered view that the support may be continued in XII Plan also with a target of bigger number of beneficiaries.**

(g) Interest Subsidy to Growers on Working Capital Loans

3.70 This scheme envisages providing interest subsidy at the uniform rate not exceeding 5% to growers on working capital, subject to the condition that the interest subsidy may be limited to a ceiling of Rs. 50,000 per Arabica coffee grower and Rs. 40,000 per Robusta coffee grower and the interest rate, after allowing interest subsidy should not be lower than 7%.

3.71 The Committee notes that the achievement under the scheme has remained low at 28,695 beneficiaries against the target of 30,000 beneficiaries during the XI Plan. **The Committee feels that the scheme of interest subsidy should be reframed since the requirement of having no less than 7% balance interest to avail the benefits is non- viable as most of the banks have reduced the interest rates on all working capital. It accordingly advises the Department to reduce the balance interest requirement to 4 per cent.**

C. MARKET DEVELOPMENT

3.72 The objective of the Market Development Scheme is development of domestic coffee market and Market Intelligence/Research. The scheme contains 2 components viz., (i) domestic coffee promotion; and (ii) market research & intelligence. Under the domestic coffee promotion component, the Board is trying to create an enabling environment facilitating growth of domestic coffee industry and strengthening domestic consumption by:-

- i) Conducting consumption and consumer attitude surveys as input for the industry and prospective entrepreneurs;
- ii) Targeting media awareness efforts to strengthen the drivers of consumption while contending with barriers (eg perception about health, preparation etc);
- iii) Conducting entrepreneurial Development Training about the skills involved and development of network for enhancing domestic consumption; and

- iv) Participating in high impact tools of domestic consumer and beverages exhibitions, wherein the platforms are utilized to support the Self Help Groups, Roasters, indigenized equipment manufacturers etc. This helps the various players along the coffee value chain facilitating networking in non-traditional coffee drinking markets, wherein the new consumer has deep enough pockets to sustain the consumption.

3.73 The Committee learns that as part of domestic promotion activities, the Coffee Board participated in 203 domestic events and made 670 publicity insertions through print media during five years of XI Plan (2007-2012).

3.74 The Committee appreciates the steps taken by the Coffee Board to promote coffee consumption in the country in the last three years which are as follows:

- (i) Developing Entrepreneurial Skill by holding trainings on Coffee Roasting, Brewing etc. During 2009-10, 2010-2011, 2011-2012, the number of participants trained were 95, 215 and 228 respectively predominantly in non-coffee consuming cities;
- (ii) Participation in events to make larger footprint in non-traditional consumption areas along with continuing presence in Southern strongholds. The Events on Agricultural side were also utilized to popularize the Development Support Scheme of the Board by joint participation from Research Department and the Promotion wing;
- (iii) IICF 2009 at Bangalore and IICF 2012 at New Delhi were attempts to develop the domestic market capabilities and demand;
- (iv) A consumption survey indicated that the main barrier to Coffee drinking is health perceptions in consumers' attitude. The advertorials in various business and lifestyle magazines etc promoted the drivers of consumption while simultaneously reducing the impact of barriers by giving information on health aspects of coffee. The Committee notes that there were 140 insertions done in 2009-2010 and 239 each in 2010-2011 and 2011-2012. Besides, the Board had also undertaken the following activities:
 - (a) TV campaigns, (b) Radio campaigns, (c) Promotion campaigns through Booklets, journals, (d) Web based campaigns especially on Coffee Gyan through Coffee Swami- Coffee Board's Mascot;(v) Support for Processing Scheme: Under the Scheme, 79 units have been supported with Rs.3.75 crore over the previous four years; and
- (vi) Pure coffee experience was given to the consumers through the 12 India Coffee Depots / India Coffee Houses functioning in key locations in Delhi, Chennai, Kolkata, Mumbai, Bangalore, Tirupati and Guruvayaur. The running was subsidized by Rs 2.6 –Rs 2.8 crore every year.

3.75 The Committee is of the considered view that the Board's Domestic Promotion activities should be continued to increase coffee consumption in the country, as it can act as an insurance against volatile coffee prices in the international market. Presently about 70% of the coffee grown in the country is exported and as such there is no fall back option to our growers when the international prices fall to non-remunerative levels. Creation of domestic demand would provide buffer to Indian coffee prices as the growers would be in a better position to fall back upon relatively higher domestic process arising out of higher consumption and demand within the country.

3.76 The Committee strongly feels that it is necessary that enough funds are earmarked for generic promotion of coffee consumption in India. One of the main reasons for the slower growth rate is the cumbersome process of making a good cup of coffee. To help out in making coffee much easier, it is appropriate to reduce the price of coffee filters, home espresso machines, home roasters, grinders etc. Subsidy may also be extended for purchase of equipments required for manufacturing Instant Coffee to small growers. The Department of Commerce may engage Ministry of Finance and the State Governments in the matter.

D. RISK MANAGEMENT TO COFFEE GROWERS-RAINFALL INSURANCE SCHEME FOR COFFEE (RISC)

3.77 The Rainfall Insurance Scheme for Coffee (RISC) became operational from the monsoon cover during 2007. It is implemented with the help of Agricultural Insurance Company (AIC). Coffee Board/Gol is extending premium subsidy up to 50% of premium for small growers (upto 10 ha) subject to a ceiling

of Rs. 2,500/ha for Arabica and Rs. 2,000/ha for Robusta. Maximum sum insured is Rs. 20,000/- per hectare for Robusta and Rs. 30,000 per hectare for Arabica. However the large growers can also participate by paying full premium. During these years the policy covered four options one each against (i) deficit rainfall in Blossom Showers, (b) deficit rainfall during Backing Showers, (iii) excess rainfall during Monsoon rains, and (iv) post-monsoon rains (untimely rains during harvest season) introduced in 2010.

3.78 The Committee notes that during four years the participation of coffee growers is skewed towards few zones especially in high rainfall zones. Participation of growers was mainly confined to monsoon trigger instead of four options available. Subsequently the response for the scheme declined in all the regions.

3.79 The Committee would like the Department address the concerns and lapses noticed during the implementation of the scheme and make the Rainfall Insurance Scheme for Coffee (RISC) attractive to the growers of all growing zones during the XII Plan.

E. EXPORT PROMOTION OF COFFEE

3.80 Exports are a function of production. Hence volumes cannot be increased significantly in the short term due to supply constraints. Thus to earn higher value from exports strategy is to incentivize value addition on one hand and target reaching out to higher value destinations on the other. The Committee notes that to promote export of Value Added Coffees as India Brands, the Coffee Board extends incentive at the rate of Rs. 2/kg, and to promote export of High Value Green Coffees to far off markets i.e. USA, Canada and Japan, incentives at the rate of Re. 1/kg are given to increase competitiveness of our coffees by

setting off transactions costs to some extent. These incentives are complimented by the promotional activities to closely interact with the International Coffee Community by participation in important International Coffee Conferences and Expos, organizing Business-Seller Meets (BSMs), cupping sessions, taking India Coffee brands promotion initiatives, organizing quality initiatives like Flavour of India Competitions, supporting visit of roaster delegation, website management, participation in ICO meets, institution of export awards and organizing cupping competitions.

3.81 The Committee notes that Coffee Board participated in 69 international events and organized 19 BSMs during the XI Plan period. Export incentive for export of value added coffee @ Rs. 2 per kg has been extended to 35387 MTs of value added coffee during the period. In respect of export incentive for export of high value coffees to far-off markets @ Re. 1 per kg has been extended to 24485 MTs during these five years.

3.82 The volume of Value added coffees in retail packs has increased from 5554 MT to in 2008-09 to 12909 MT in 2011-12, while the volume of exports to high value destinations also increased from 2325 MT in 2008-09 to 10,217 MT in 2011-12. The Committee is pleased to note that the unit value earned under these schemes is higher compared to the average international per unit value and the retail packs have reached 30 destinations in 2010-11 compared to 19 in 2008-09.

3.83 The Committee is of the considered view that the incentive for export of Value Added Coffee as India Brand @Rs.2/- per kilogram and export of High Value Green Coffee to far off markets @Re.1/- per kilogram under the scheme on Promotion of Coffee Export may be enhanced to Rs.3 per kg

and Rs.2 per kg respectively to help compete the exporters in the global market.

3.84 The Committee also feels that a grower is much better a stakeholder to tell “the Indian coffee and its biodiversity” story than anyone else, hence he may also be incentivised to participate in International Exhibitions and Fairs. The Committee is of the opinion that growers should also be sent by the Department for participation in international events. It hopes that such a move will bring more visibility and benefits to the image of Indian Coffee internationally.

F. SUPPORT FOR COFFEE PROCESSING

3.85 The scheme is being implemented from 2008-09 onwards. The Committee has been informed that there is improvement in physical units over the years and the response from the entrepreneurs though encouraging is still not up to the expected level, primarily due to value chain being slightly long, requiring follow up trainings and networking requirements from plantation to retail end. The Committee has noted that the trend relating to the establishment of coffee processing units is picking up especially in non-traditional coffee consuming areas. The utilization of funds in relation to the number of units is less, since more number of units with lesser investments is only covered (the original assessment was with reference to each unit with Rs. 25 lakh subsidy) and the venturing into new business/entrepreneurship takes time. .

3.86 The Committee learns that support has been extended to 79 units during the XI Plan period and the financial achievement under the scheme during the XI Plan period is Rs. 3.76 crores. **The Committee is of the view that Coffee Board must make concerted efforts so as to broaden the coffee processing**

base in the country. The success of the scheme will certainly result in larger domestic consumption of coffee.

G. SUPPORT FOR MECHANIZATION OF COFFEE ESTATE OPERATIONS

3.87 A proposal on 'Support for Mechanization of Farm Operations' was included as one of the components under the modified Development Support Scheme for coffee submitted to the Ministry for consideration during February, 2010. Considering the repeated requests and the need for mechanization for taking up critical coffee estate operations on account of shortage of labourers in coffee plantations, a separate proposal as a new scheme was submitted to the Ministry in December 2010 to be implemented during the remaining period of XI Plan within the financial allocations made under the component Interest Subsidy to Coffee Growers on Working Capital Loans of Development Support Scheme.

3.88 The scheme is aimed to provide support to coffee growers to encourage the use of farm machineries to improve productivity and efficiency in carrying out crucial farm operations for coffee in time. The Government of India approved the scheme during February 2011 for implementation during the remaining period of XI Plan with the following scale of subsidy applicable for different sized holdings and SHGs/Grower Collectives.

Category of Holdings	Scale of Subsidy
Growers upto 20 ha	50% subject to a ceiling of Rs. 2.00 lakhs
Growers >20 ha	25% subject to a ceiling of Rs. 4.50 lakhs
SHGs/Collectives of Small Growers	50% subject to a ceiling of Rs. 5.00 lakhs

3.89 The Committee notes that the physical achievement during 2010-11 was 1564 units while the financial achievement was Rs.1.98 crores. The support for mechanization scheme received very good response during 2011-12 wherein

18380 units of different machines were supported to the tune of Rs.18.12 crores and Rs.4.08 crore worth claims were pending settlement. Thus the total utilization was Rs. 22.2 crore as against a target of Rs. 20 crores.

3.90 The Committee appreciates the efforts of the Department towards mechanization of farm operations but still a lot remains to be done to bring real mechanization of farm operations in coffee plantations. The Committee is of the view that since the cost of a machine remains same irrespective of the category of holdings, the Department may revise the ceiling level after taking into account the average price of all the essential machines required for coffee farm operations and fix them uniformly for all categories of landholdings. The subsidy component may vary according to the category of holdings of the growers.

3.91 The Committee learns that subsidy on purchase of tractors and tillers are presently extended to growers who own 20 ha and above only. The Committee desires that the concession may also be extended to small growers with a holding of less than 20 ha.

3.92 The Committee recommends that the subsidy scheme for mechanization be continued in the XII Plan with adequate financial outlay and more machineries like green bean separators, fertilizer applicators, drip irrigation equipment, etc. must be included under the Scheme for greater benefit of the growers.

H. COFFEE DEBT RELIEF PACKAGE 2010 (CDRP)

3.93 The Government of India has sanctioned Rs. 241.33 crores for the implementation of the Coffee Debt Relief Package - 2010 for debt ridden small

coffee growers. Under the Package, claims from 53 banks were cleared with the amount of Rs. 241 crores released by the Government of India.

3.94 The Committee learns that against the targeted 74,929 small growers, 1,20,025 small growers were benefited by the scheme with the Government's share of relief being Rs. 241 crores. The details of the relief and beneficiaries are as follows:-

Sl. No.	Category of Loan	No. of beneficiaries	Government of share of relief (Rs. In crores)
1.	Pre 2002 loans	19590	164.34
2.	Crop loans	78636	46.56
3.	Post 2002 loans	21799	30.10
	Total	120025	241.00

3.95 It was informed to the Committee that the claims from other banks upto a tune of about Rs. 58 crores could not be cleared since the claims exceeded the initial sanction. Later, the Government released additional funds of Rs. 58 crores on 7th March, 2012 of which an amount of Rs. 47.82 crore has been disbursed by 31st March, 2012. As on 8th June, 2012 an amount of Rs. 49.75 crore has been paid towards pending claims taking the overall relief amount of Rs. 290 crore from Government of India. It was informed by the Coffee Board that the remaining amount would be utilized by the end of June, 2012, which is the deadline prescribed for clearing of pending claims.

3.96 **The Committee welcomes the Coffee Debt Relief Package whereby a total of 1,35,040 small coffee growers have been benefited. It is, however, of the view that the relief extended could have been timelier as there has been little delay in its sanction and disbursement. The Committee desires that the Department should be more proactive towards relief and rehabilitation of the growers and the workers in future. It hopes that the**

remaining Rs. 8.25 crore towards pending claims was disbursed within the month of June itself.

3.97 During the study visit of the Committee, it was requested that the accumulated, capitalized and interest on the bank loans as on 30.03.2011 may be waived off and the principal may be rescheduled. The Committee recommends that the Department to look into the matter sympathetically.

OTHER MAJOR ISSUES COFRONTING COFFEE SECTOR

(a) Labour Shortage and Related Issues

3.98 Coffee is a highly labour intensive crop requiring about 400 man days/hectare per year for Arabica and 300 man days/hectare per year for Robusta. The Committee was informed that in recent years there has been a serious shortage of workers in plantation areas due to employment opportunities generated by MNREGS and also due to migration of workers to urban areas for better avenues. This has adversely affected the timely completion of certain critical operations which is having an impact on production, productivity and quality of coffee.

3.99 The Committee has noticed two issues pertaining to problems of shortage of labour, one is the decreased availability of labourers willing to work on the coffee estates and the second one is the poor quality of the work force which is willing to work. Besides, the labour wages have also gone up sharply during the last five years which drastically increased the cost of cultivation of coffee especially that of Arabica variety which is highly labour intensive. Many growers have started replacing Arabica coffee with Robusta coffee, which requires less labour, to tide over the labour constraints. The Committee notes that the Coffee

Board has adopted two-pronged approach to address these two issues of availability of labourers:

- (a) A scheme of mechanization of farm operations has been introduced in the financial year 2010-11. The scheme is intended to reduce the requirement of labour at one hand and tackle the problem of skill deficit on the other as various operations are being performed using machines; and
- (b) Conducting Skill Building Workshops for the workers working in Coffee Estates. The Coffee Board proposes to intensify this activity under a newly proposed scheme viz., "Strengthening of Transfer of Technology and Capacity Building" in the XII Plan.

3.100 The Committee finds that the use of machinery in carrying out farm operations is in its infant stage in India and there is a needs to give major impetus during the XII Plan. The Committee has noted in detail the efforts being made by the Coffee Board in earlier parts of this Report and appreciates the spirit of the Board. Never the less, the Committee is of the considered view that we still have to go a long way before being satisfied. It is learnt that no substantial savings of labour has been found from the existing machines that have been released in coffee sector. More machines will have to be developed and primarily the focus should be on harvesting machines.

3.101 The Committee recommends the Department to open a dedicated farm implements and machinery unit within CCRI or outside it so that adequate attention can be given to machinery requirement of coffee industry. The Committee finds that majority of the machineries imported for coffee industry are either exorbitantly priced or are not suited to local plantations. The Committee desires the Coffee Board to tie up with IITs and other reputed institutions for development of indigenous technology for such machines. It is further desired that equipments

developed/identified should be used in actual plantation setting which also factor in appropriate differences of terrain in use so that it enables real evaluation.

3.102 It was submitted before the Committee that MNREGA scheme should ideally be withdrawn from the plantation areas as employment potential already exists for all the available labour. However, if this is difficult, the scheme should at least be suspended during the harvesting season. **The Committee is of the considered view that instead of withdrawing or suspending the MNREGA scheme during harvesting season, it may rather be extended to works in coffee plantations and the item of works like construction of water tanks, ground water and soil management work, etc. may be identified for being dovetailed with the list of work allowed under MNREGA. The Committee recommends the Department take up the matter with Ministry of Rural Development, Government of India. Further developing the infrastructure such as roads, electricity, schools, nursing homes should be made through Public Private Participation to enable the labourers get the basic necessities at their doorstep and, thereby, stop their migration to urban areas for the said facilities.**

3.103 The Committee finds that labour welfare has not got the desired attention as mandated under the Plantation Labour Act, 1952 wherein the industry is required to provide facilities such as housing, health and child care, drinking water, etc., to workers on the plantation. The Committee is of the view that the lackadaisical attitude of the growers towards labour welfare is also partially responsible for migration of labour from these plantations. **The Committee is concerned to note that there is a general reluctance amongst the growers**

to incur the social cost mandated under the Plantation Labour Act. This reluctance is mainly on account of rise in input costs of cultivation including the rise in wages of labour. Nevertheless, the Committee desires that the Department takes cognizance of the problem and take necessary action to redress the situation. It also recommends the Department to implement the Inter Ministerial report on sharing of social costs among the management, Central Government and the State Government in the ratio of 50:40:10. The Committee at the same time appreciates the efforts of the Coffee Board in extending welfare assistance to the children of workers engaged in coffee Plantations and coffee curing works as well as to the children of tiny coffee growers.

3.104 During its interaction with the stakeholders, the Committee was informed that with the amendment of para 26 of the Employees Provident Fund (EPF) Scheme 1952, sometime back, the qualifying period of service of 60 days attendance within a period of 3 months necessary for enrolment to the fund has been deleted. Accordingly, it has become mandatory that the PF has to be deducted for the employee who is engaged even for a day. This stipulation making it difficult for plantation sector to get additional workers required during the peak seasons. Normally migratory labours are used for seasonal operations and they keep on changing place of work as they don't want to tie themselves to any organization. Most of them object to the deductions made for the PF as they do not work at the same place always. It was, therefore, requested that necessary amendments be made to the PF Scheme excluding plantations from the requirement of paying PF for employment below 60 days. **The Committee**

shares the concern of the growers and it desires that the Department take up the matter with Ministry of Labour and Employment on priority basis.

(b) Support for Cooperatives and Self Help Groups in Coffee Sector

3.105 Coffee is predominantly cultivated by small growers. About 99% of the Coffee growers in India are small with less than 10 ha and own about 70% of the area but they lack financial capacity to make capital investment in the estate. **The Committee is of the considered opinion that formation of cooperatives of small growers would help these growers augment their infrastructure and bring economy in cost of production, undertake marketing of their produce and carry out value addition activities.**

3.106 The Committee, however, found that the cooperatives have not made strong inroads in coffee sector. Whatever cooperatives exist, they are mere shadow of real cooperatives. They are not very active and thus not in a position to take any marketing initiative or value addition that would enhance the producers' share. The Committee is of the opinion that there is a definite need to change this scenario and empower the producers, especially the small growers. Some notable cooperatives in the sector are Kodagu Coffee Growers' Society Ltd., Madikeri; COMARK, Hassan. There are also many cooperative societies / banks (Vyavasaya Seva Sahakari Cooperative Banks) in the plantation area which are mainly involved in financing coffee growers particularly for working capital and very few societies are managing coffee plantation. The cooperative movement in general is not very strong in the traditional coffee growing states.

3.107 It has been informed by the Coffee Board that during the XI Plan period, the Board had proposed support for replantation in the cooperative sector but the same was not approved. The Board is proposing to provide support to

cooperatives for replantation/ new plantation and also for market development during the XII Plan. **The Committee desires that the Department make all efforts to institutionalize cooperatives in coffee sector and extend all assistance to them to enhance their technical know-how and infuse professionalism in their working. The Committee recommends the Department to promote formation of cooperatives in the entire chain of production, processing and marketing. The Department may also approach National Cooperative Development Corporation (NCDC) to supplement Department's efforts and assistance in the matter.**

3.108 The Committee also notes that consequent to liberalization of coffee marketing in the early 1990's, the Coffee Board has evolved the concept of Self Help Groups (SHGs) to bring together small coffee growers and launched it during IX Plan and carried to X plan. The SHGs were organized as societies held by memorandum of agreement for taking up production improvement programmes like construction of water tank, procurement of sprinkler units, raising of coffee seedlings, procurement of farm machineries, quality improvement programmes like installation of pulping units, construction of store house, drying yards and establishment of R&G units for value addition. About 110 SHGs and 1430 Mini SHGs were facilitated by the Board during the IX and X Plan period.

3.109 During the XI Plan period, the Board has extended support for Self Help Groups by providing differential scale of subsidy for activities under quality upgradation, farm machineries and assistance for Roasting and Grinding activities. Further, the Board has proposed to continue support to the SHGs with differential level of subsidy for many activities covered under XII Plan. **The**

Committee appreciates the efforts of Coffee Board and hopes that real benefits would be extended to the members of SHGs for all necessary activities.

(c) Organic Coffee

3.110 In India, organic coffee is cultivated in about 3,000 ha with an average production of about 1,700 metric tonnes. The growth in organic coffee segment remained stagnant for the past 5-6 years. The existing organic growers are able to find a decent market for their organic coffees with higher premiums mainly contributed by increase in quality. The coffee areas in the North East Region are ideally suited for organic coffee production since the tribal farmers do not use chemical inputs. The Committee was happy to know that the Coffee Board has included a component of support for organic coffee cultivation under the Coffee Development Programme of the North East Region for the XII Plan under which the growers will be supported for production of vermin-compost, purchase of bio-fertilizers as well as the costs of certification.

3.111 The Committee notes that during the 1990s, there was a good demand for organic coffee in the world market. However, by the early years of the new millennium there was a surplus production of organic coffee especially in the Latin American countries which led to steep fall in the premiums for organic coffee. Presently, the premiums range from 10 to 15% which does not compensate for the additional costs involved in compliance to organic production standards and costs of certification. **The Committee desires the Coffee Board to extend incentives to exporters of organic coffee for exports in traditional market and also help in finding new markets for organic coffee. It also**

feels that domestic promotion of organic coffee must be taken up earnestly.

(d) Environmental Issues: Western Ghats Ecology Expert Panel

3.112 The Ministry of Environment and Forest, Government of India had constituted Western Ghats Ecologically Expert Panel under the chairmanship of Prof. Madhav Gadgil. The panel had submitted its report to the Ministry on 31st August, 2011 and it was made available to the public on 24th May, 2012. The expert panel is categorizing Western Ghats into different ecologically sensitive zones. Most of the plantation areas in Karnataka, Kerala and Tamil Nadu come under Ecologically Sensitive Zone 1 and the Report recommends that all agricultural activities in the notified areas will be as per organic methods and that all the chemical fertilizers, pesticides, fungicides, weedicides etc. should be phased out in a period of 5 to 10 years in different category of ecologically sensitive zones (ESZs). The panel also recommended promoting of organic agricultural production and discouraging cultivation of agricultural crops at slopes exceeding 30%.

3.113 The Committee notes that coffee is being cultivated commercially in India for nearly 200 years and chemicals fertilizers are being used for the past 60-70 years. Coffee is cultivated with a good cover of overhead shade comprising of mostly native trees. The shade grown coffee agro-forests contribute significantly towards ecosystem services like bio-diversity conservation, carbon sequestration, rain water harvesting etc. and is also responsible for the socio-economic development in the remote, hilly areas. Coffee agro-forestry reduces the burden on natural forests for fuel wood, timber and provides fruits & medicinal plants and other livelihood options to the local population.

3.114 The Committee agrees with the views of Coffee Board that practicing organic farming over the entire area and phasing out all chemical fertilizers, pesticides and fungicides would make coffee cultivation unviable and may result in elimination of coffee from the region. It will thus have very significant socio-economic impact on a big population dependent on coffee and other plantations. The Committee expresses its disappointment that the Expert Panel did not consult Coffee Board while giving their recommendations. The Committee desires that the Department take up the matter with the Ministry of Environment and Forests and discuss the matter threadbare since livelihood of a huge population will be at stake if the Report is implemented. The Committee would like the Department to undertake sincere measures to ensure that coffee cultivation in no way impact the ecosystem of the Western Ghats. It should ensure adoption of integrated sustainable cultivation in the region.

(e) Man-Animal Conflict

3.115 The Committee was informed that man-animal conflicts, especially involving wild elephants, in the plantation areas is increasing over time resulting in loss of lives, limbs, crop and property. Such incidences increase during certain years when there is less rainfall when elephants stray into plantation areas in search of food. Fragmentation of forest patches and wildlife corridors are also reported to be the causes for increasing number of such conflicts. The Committee learns that the Forest Department is providing compensation to victims of human- animal conflict. As per the information of Karnataka Forest Department the number of deaths due to elephants and other wild animals were 33 during 2009-10, 41 during 2010-11 and 21 during 2011-12 in the coffee areas

as well as other areas. The coffee growers have been demanding relocation/ shifting of elephants, solar electric fencing etc., which pertains to the Forest Department. **The Committee recommends the Department to take up the matter with Ministry of Environment and Forests and find the solution to the problem. It at the same time desires that the Department promote conversation of forest and plantations through the growers.**

(f) Stipulations of Pollution Control Boards Regarding Effluent Treatment

3.116 During its study visit to Karnataka, the Committee's attention was drawn towards 2008 Notification of the Central Pollution Control Board prescribing norms for removal of water stored in the existing lagoons. It was submitted by the growers that due to continued heavy rains during November, 2011 the water table in the lagoons have increased but it was difficult to remove the water during the current season because of uneven ripening of berries. It was requested that the time limit for implementation of the norms stipulated in the 2008 notification may be extended upto the end of 2014-15 coffee season. It was further informed that use of pulpers in coffee processing and use of higher technology (bio-enzymes) at the effluent treatment levels has enabled great reduction in the effluent levels at the pulpers stage as well as in rate of digestion by bio-enzymes. **The Committee in light of these advancements that has taken place after the 2008 Notification feels that the procedure laid in the Notification may be reviewed. The Committee accordingly recommends the Department to engage Ministry of Environment and Forests and Central Pollution Control Board to review the said notification and stay the procedure laid therein.**

(g) Coffee Curing Works

3.117 The Committee notes that ever since the onset of free market declaration about 17 years ago, the coffee curing industry has been under pressure for ever rising quality demand of the consumer world over. This has driven the coffee world to go for modernization with modern curing machinery. The Committee notes that coffee cured in imported machines contributes to better production of output and least cuts and bits thus producing higher exportable grades. In turn this would bring planters higher returns. However, Indian curers seem to have been left out of modernization drive due to lack of financial strength.

3.118 In view of the growing demand for quality coffee, the Committee recommends the Department to extend necessary financial support to upgrade the curing industry and also take up the matter of import duties and other fiscal measures with Ministry of Finance to help reduce the import cost of high-end machines.

3.119 The Committee notes Section 7B of the Income Tax Act is applicable to the coffee growers when coffee is cured before selling. This is affecting curing of coffee produced by small and medium coffee growers. The Committee feels that exemption to the growers from this provision may be given to encourage curing of coffee by small and medium growers to enable them get higher returns and access to domestic and export markets. **The Committee recommends that sale of coffee after processing at estate level or through the curing works should be treated as agricultural produce, since the process involved from fresh fruits to clean coffee is a normal agricultural post harvest process which cannot be considered as manufacturing process and should be exempted from Section 7B of Income Tax Act.**

OBSERVATIONS AND RECOMMENDATIONS – AT A GLANCE

TEA SECTOR

PERFORMANCE OF TEA SECTOR

1. **The Committee feels that it is high time that the Department of Commerce and the Tea Board should take note of the reality and shrug the complacency that seems to have set in their efforts. It recommends the Department to analyse the reasons behind our failings and take necessary action to redeem the situation. (para 2.9)**
2. **The Committee is of the considered view that such a scenario calls for the necessity to carry out replantation/rejuvenation of our old/senile tea bushes on priority. (para 2.10)**
3. **The Committee feels that the Department has to become innovative in its approach towards raising the production of tea since there is strong demand of our tea overseas and the supply side is also under further pressure due to rising domestic consumption which has also started witnessing demand for premium quality tea. There is need to increase tea cultivation area, treat old/senile bushes with appropriate interventions, undertake research to enhance productivity with maintenance of quality, provide effective extension services along with maintenance of soil health and organize the production on professional lines. (para 2.11)**
4. **The Committee is of the considered view that had the Department and the Tea Board made concerted efforts towards scientific development of the tea sector in non-traditional areas and had also tried to organize the small growers through Self Help Groups or cooperatives and given necessary assistance, the production as well as productivity of tea would have increased substantially. The Committee recommends the Department to take necessary steps in this regard. It also recommends the Department to undertake appropriate researches to find the best cultural practices for increasing the productivity of tea in the country. (para 2.14)**
5. **The Committee desires the Department to take appropriate interventions to reclaim the quality of top soil and promote introduction of integrated farming practices for tea cultivation. The Committee recommends promotion of rational use of fertilizer in the plantation. (para 2.15)**
6. **The problem of increasing cost of fertilizers as well as its erratic supply was brought to the notice of the Committee. It was informed that the benefits of nutrient based subsidy were not being extended to growers. The Committee feels that the problem of increased cost of fertilizers with no subsidy benefit is one of the main factors**

behind less productivity and also high cost of production. This high cost of production would adversely affect our price competitiveness in world market. The Committee would like the Department to ensure that fertilizers subsidy is available to growers and it also engage the State Governments for timely availability of fertilizers for them. (para 2.16)

7. Since the export is dependent on production, the Committee recommends the Department to take necessary measures to increase the tea production in the country with emphasis on tea quality. This will help prevent a toll on our exports since we are perceived as poor quality tea supplier and our reliability as supplier needs to be spruced. Also, in view of the fact that the orthodox tea fetches more earnings in global markets, it will be in fitness of thing that Orthodox tea production in the country be increased. The Committee is happy that the Department is supporting orthodox production through Orthodox Subsidy Scheme. The Committee appreciates the efforts of the Department in this regard and feels that the Department should continue to encourage the Orthodox tea production. The Committee also desires the Department to find a solution to bring economy in the cost of our market entry which is relatively high and engage the Ministries/Departments concerned in order to reduce the cost of freight and infrastructure bottlenecks. (para 2.20)
8. The Committee is gravely concerned on the unpreparedness of the Department to deal with the unscrupulous exporters importing cheap tea from other countries and re-exporting it without any significant value-addition under false certificate as Tea of Indian Origin and eating away the value of Indian tea by under quoting the genuine exporters of Indian tea. The Committee opines that the apathy of the Department towards such practices has seriously undermined the image as well as value of Indian tea in the export market. It strongly recommends the Department to take urgent steps to redress the situation through a strict monitoring of the quality of tea being exported. The Committee would therefore like the Department to evolve an appropriate monitoring mechanism in respect of import of tea for exports and ensure that the licenses are issued only to individuals/organisations with proven credentials. (para 2.21)
9. The Committee would like the Department to look into this problem of lesser possibility of remunerative price realization once the product goes through auction. The Committee also notes that business at all the tea auction centres has been made electronic. This causes problem to the sellers who are not electronically connected. The Committee shares the concern since internet penetration and access to computers are still a problem for many in the country. The Committee recommends the Department to revisit

- the e-auction system and come out with an optimal solution. (para 2.24)
10. **The Committee believes that the price of any commodity depends upon its quality. It, accordingly, recommends the Department and the Tea Board to concentrate upon improving the quality of tea in South India. It also desires that the Department must take appropriate action to enlarge the customer base to at least 100 customers for participating in the auction. (para 2.25)**
 11. **The Committee notes that the Special Purpose Tea Fund (SPTF) Scheme has failed to yield the desired results mainly due to high rate of interest on loans, inadequate subsidy, loss of revenue due to long gestation period for new fruits and non-cognizance of specific local conditions arising out of difference in terrain and agro-climatic conditions of the tea growing regions while framing the Scheme. Also various restrictions like ban on usage of earth excavators, restrictions on irrigation, uncertainty about the lease tenure, etc. have affected the success of the scheme. (para 2.34)**
 12. **The Committee is of the considered view that unit cost for calculating the subsidy must take into account inflation rate, increasing labour cost, crop loan, time factor of gestation period, market facilities, etc. and must be made subject to revision on regular basis accordingly. Further, it must also take into account crop losses and reduced revenue for the garden in the initial years. The Committee, accordingly, recommends that the subsidy provided under this Scheme needs to be enhanced to appropriate level. Also, it is desired that the Department revisit its credit component under the Scheme and the same should be simplified inasmuch as to reduce the rate of interest on loans under SPTF at par with banks or the beneficiaries may be allowed to access the banks directly for loans for replantation/rejuvenation. The Committee desires that the Department take up the matter with the Planning Commission for adequate outlay for the Scheme during XII Plan. (para 2.35)**
 13. **The Committee finds that though Internal Monitoring of the scheme is carried out through the Sub-committees of the Board but interactions with relevant stake-holders, which hold the key to achieve the desired targets are not held regularly. The Committee, therefore, recommends that meetings of these sub-committees with the representatives of the tea growers should be convened more frequently and on regular basis in order to make this scheme result oriented. (para 2.36)**
 14. **During its Study Visit to CSIR complex in Himachal Pradesh, the Committee learnt that the CSIR has developed a technique called "Rejuvenation Pruning" whereby the old bushes are cleaned up removing all unproductive branches and are revived without**

- uprooting the plant. The Committee understands that the payback period for replanting varies from 9-12 years while for rejuvenation pruning the payback period is only 3 years. The Committee recommends the Department to consider "rejuvenation pruning" to revive the health, vigour and yield of tea bushes in addition to total uprooting of plants. The Committee also desires that productivity evaluation of both the techniques may be made by the Department to decide the most efficacious mode for increasing the production/productivity of tea plants under the Scheme. The Committee recommends a compensation package for the growers undertaking uprooting and replantation and also for the workers who are laid off during the gestation period. (para 2.37)
15. The Committee desires that the Department take up the difficulties with the State Government and find a solution to the problems afflicting the development of tea in the State. It is also of the considered view that the necessary assistance and infrastructure may be provided to the small holdings to enable them carry tea cultivation on scientific lines. The possibility of forming cooperatives of small holdings may also be explored to bring economy and efficiency in production in the State. (para 2.41)
 16. The Committee feels that cooperatives of small holdings may be encouraged for taking up cultivation of organic tea. There is also an urgent need for dissemination of knowledge regarding standard agro techniques on all aspects of tea management practices from cultivation to marketing. The Committee, therefore, recommends the Department to firm up a special package for revitalization of tea industry in Himachal Pradesh and share the blue-print within three months of the presentation of the Report. (para 2.42)
 17. The Committee finds this development worrisome and recommends the Department to collaborate with other institutes of repute including agricultural universities to develop sound mechanization basis for the industry on priority. (para 2.44)
 18. The Committee during its interaction with the industry found that huge backlog of subsidy payable under the Quality Upgradation and Product Diversification Scheme (QUPDS) has been pending for long. Also, Subsidy for Orthodox tea production in many cases has been pending from the calendar year 2009, while, the subsidy on incremental production is pending from the calendar year 2008. The Committee takes a serious note of undue pendency in release of subsidy since it takes away the commercial viability of a proposal. The Committee strongly recommends that such pendency may be cleared on priority. (para 2.45)
 19. During its Study visit, the Committee noticed consistent demand for inclusion of tea stacking machines which helps the factories as well

as the warehouses for proper storage of teas thereby protecting the quality of tea as an eligible item for subsidy under Quality Upgradation and Product Diversification Scheme (QUPDS). The Committee, accordingly, recommends for inclusion of tea stacking machines and other suitable machineries/equipments under the eligible list for subsidy benefits under QUPDS. (para 2.46)

20. The Committee is of the view that market promotion efforts should translate into increased exports of Indian tea especially with due safeguards for quality in the international market. In this regard, the Committee recommends that a Tea Promotion Council for Exports comprising of growers, exporters, traders, warehouse owners and representatives of the Tea Board may be constituted by the Department with an objective to ensure (i) exports of tea at a reasonable price; (ii) effective quality control for tea exported; and (iii) proper monitoring of tea being imported for re-export. (para 2.51)
21. The Committee strongly feels that tea has all the necessary elements like ancient history, health benefits and richness of range/variety in flavour, colour and mode of preparation so as to make it an ideal drink for being popularized as a global beverage. The Committee, therefore, calls upon the Department that apart from its routine promotional measures, it must also direct its efforts towards value addition of tea by way of blending, packaging, tea bagging, etc and intensify its research for finding/developing new varieties and variants of teas and introduce the same in a cost effective manner in the international market. (para 2.52)
22. The Committee appreciates the Department's efforts to obtain Geographical Indications registrations and protection of Darjeeling tea in key export markets and also the creation of various logos and word marks like Darjeeling, Assam, Nilgiri, Indian Tea, Doors-Terai, Assam Orthodox, Nilgiri Orthodox to link teas with region/origin. (para 2.53)
23. The Committee is not satisfied with coverage level of beneficiaries as well as the quality of the training programme. The Committee is of the opinion that the Board should accord priority to the training of small tea growers. The Committee recommends that the Board should tie up with National Skill Development Commission to tailor details regarding the best practices in the training module of small tea growers and plantation workers. This will equip them to address the quality concerns of our tea cultivation. (para 2.59)
24. The Committee desires that the Department make all efforts to adopt the formula recommended by the Inter-Ministerial Committee on sharing of social cost since productivity of a worker is interlinked with his working conditions and his welfare including sanitation, hygiene, education and sports facilities for their wards etc. It also recommends the Department to impress upon the concerned State

- Governments to participate in sharing of social cost and also urge them to effectively implement the provisions relating to labour welfare activities under Plantation Labour Act. (para 2.62)**
- 25. The Committee takes notice of the fact that the welfare schemes run by the Government in their present form like Indira Awas Yojana are primarily targeted for below poverty line category population and they are not extended to plantation workers in a tea estate. Further, these workers are denied the benefits under schemes like Indira Awas Yojana (IAY) as they do not have the ownership right on the land under tea cultivation. The Committee recommends that the matter should be taken up with the concerned Department/Agency by the Government and if necessary suitable amendment should be brought in the Plantation Act so that plantation workers could avail of the benefits of the IAY Scheme and basic amenities like housing could be ensured to them. (para 2.63)**
 - 26. On the issue of medical facilities being extended to the plantation labour, the Committee is of the view that extension of services of Referral Hospitals needs to be institutionalized. The Committee recommends that the Government should take appropriate action so that the recommendations of O.P. Arya Committee in this regard may be implemented. (para 2.64)**
 - 27. The Committee was given to understand that the Swajaldhara Scheme is currently extended to only some selected sectors of the plantations. The Committee recommends that the Government should take up the matter with the concerned Department/Agency to ensure that the facilities of this scheme should be extended to all the plantations. The Committee has noticed that the condition of the school buildings is not up to the mark. Hence, the maintenance work should be carried out by the Tea Board under the Scheme of HRD run by it. (para 2.65)**
 - 28. The Committee feels that growing instances of higher MRL and declining soil productivity are concern areas demanding immediate attention. The Committee desires that the Department take necessary action to redress the situation. It needs to devise suitable production practices including rationalization of fertilizer application by promoting bio-fertilizers and alternate control mechanism for pest and disease, pruning, plucking, manuring etc. (para 2.69)**
 - 29. The Committee is also concerned over the challenges to the tea industry on account of climate change. The Committee is fully convinced that there is an urgent need to develop a strategy aimed at improvement and sustenance of tea productivity as well as its quality and direct our research to find solutions to problems like prolonged drought arising due to climate change. The Committee learns that issues on climate change like - weather tower installation, carbon**

dioxide flux etc. and their impact on tea need to be addressed in a collaborative research programme. The Committee recommends the Department to take steps in this direction and collaborate with International Tea Research Institutes and ICAR on the matter. The Committee is, never the less, happy to note that the Department has included a research proposal on climate change on tea plantation under XII Plan. The Committee further feels that the Government should give more thrust to the development of high yielding planting materials that can withstand the biotic and abiotic stresses under the changing climatic scenario and help in bringing down the gestation period from 5-6 years to 2-3 years. (para 2.70)

30. The Committee is of the view that the findings of scientific research are not being transmitted to the growers in true sense. The problem is more severe in case of small tea growers whose holdings are small in size and are scattered. The Committee, therefore, recommends that the Government should take necessary action to ensure that these results/findings are shared at grass root level so that the overall performance of the tea industry could improve. (para 2.71)

MECHANIZATION FOR TEA INDUSTRY

31. The Committee is of considered opinion that instead of suspending MGNREG Scheme, the Department should in consultation with Ministry of Rural Development identify works that may be done in tea plantations as an eligible item of work under the scheme. This will ensure that the tea workers are able to avail of the benefits of MNREG Scheme without migrating to other places. (para 2.74)
32. The Committee also feels that mechanization of all operations of tea is imperative for the growth of tea industry in the light of scarcity of labour and increasing cost of labour which alone accounts for about 60% of the total cost of production. The Committee would like the Department to prepare a blue print for mechanization and modernization of operations of tea industry under a time bound programme. Expertise of other institutions/agencies should also be taken into consideration. (para 2.75)
33. The Committee strongly underlines the need for developing harvesting machines suitable to the terrains in which the plantations are grown as no substantial savings of labour has been noticed from the existing machines. The Committee, therefore, recommends that a separate department be established for designing indigenous machinery suiting to our terrain and topography. (para 2.76)

ROLE OF SMALL TEA GROWERS

34. **The Committee is of considered view that the Department should make all efforts to complete the survey of small growers and register them within a fixed time frame of three years and provide necessary assistance for their overall development and participation in Indian tea industry on sustained basis. (para 2.83)**
35. **The Committee understands that the provisions of Tea Act, 1953 for planting permit were framed keeping in view the obligation of India in terms of the International Tea Agreement(ITA) which was in force at the time of enacting Tea Act. The said ITA was put in place to regulate the production and to avoid over production and glut in the global market. As per the Agreement each producing country was allotted a quota as to the area to be under tea and the volume to be exported. The Committee observes that the agreement expired in 1956 and the relevance of indicated quotas of production from different countries and the corresponding planting permission no longer exists. However the said provision for planting permission prior to planting in a new area still continues to be enforced by the Tea Board of India and that too to such extent that during the last two decades, several thousands of small tea growers have planted tea in their small holdings without taking planting permission from Tea Board. The Committee would like the Department to come forward with the necessary amendment in the Act without any further delay to facilitate the regularization of planting already carried out by the growers. (para 2.85)**
36. **The Committee hopes that creation of Small Grower Development Directorate would be able to provide effective extension services, better management from plantation to marketing, improvement of quality and value addition, development of export potential of small growers, enable better price realisation by the small tea growers, and help in the overall development of the sector. The Committee would like the Department to commission the functioning of the Directorate within the current financial year. (para 2.86)**
37. **The Committee welcomes the initiative of issuing the Identity Card to the small growers for enabling them avail the assistance. The Committee, however, is of the view that these cards do not solve the moot problem since a significant number of small growers do not have documentary evidence as to the legal ownership of the land. The Committee desires the Department to engage the State Governments on this issue and find out a workable solution to the problem of small growers with no land *pattas*. (para 2.87)**
38. **The Committee feels that most of the small tea growers are new in the business and the size of their holdings being very small, they suffer from lack of technical knowledge and credit support, poor price realization etc. due to which a set of leaf-agents have emerged**

in the system making high margin in green leaf prices without adding any value. The Committee recommends that the Government should take firm action to eliminate the role of the middle-man impeding the growers to realize the actual price available in the tea market. It is rather of the view that the Government should consider the setting up of an 'Exclusive Market Federation' by providing marketing support and protection for the small tea growers. (para 2.88)

39. The Committee feels that the small tea growers being new in the business needs more attention patronage of the Tea Board. The Committee also feels that the Government should take necessary action for imparting training to these growers of the modern farm practices so as to enable them to increasing their production and climb up the ladder of success. There is an urgent need for introduction of an institutional framework for advisory and extension services. Also, the information pertaining to the developmental schemes should be made available to the small growers in the local languages. The Committee is of the opinion that small growers should also be included under the insurance scheme to protect their incomes. (para 2.89)

GENERAL RECOMMENDATIONS OF THE COMMITTEE

40. In view of the above, the Committee would like the Department to consider declaring tea as a "National Drink" keeping in mind the growing demand from the stake-holders of the industry and the heritage value it carries. Also, its essential presence in the life of every Indian, directly or indirectly, assumes sufficient reason to declare it as a national drink. Its declaration as national drink would give it desired prominence in promotional schemes and activities strengthening the beverage's association with India in global markets and helping in exports. (para 2.94)
41. The Committee feels that the solution to the problem lies in formation of co-operatives and Self Help Groups wherein the small growers can pool in their limited resources and capability to fight the inherent constraints. It would bestow the small growers the opportunity to elbow the middle men and would also bring better bargaining power to them. The Committee desires that the Department should evolve a mechanism to promote the formation of co-operatives and Self Help Groups by way of incentives to any such efforts and extend the assistance available under its various schemes to such co-operatives and Self Help Groups. (para 2.95)
42. The Committee would like the Department to look into the problem in a comprehensive manner and find a solution to it. (para 2.96)

43. **The Committee would like the Department to look into the two issues connected with Provident Fund and redress the problems mentioned. (para 2.97)**
44. **The Committee recommends to the Department to provide subsidy on organic soil input so that organic soil management and organic tea farming could be encouraged. Incentives should also be given to encourage the growers achieve higher crop over target yield to attain higher productivity per hectare. (para 2.100)**
45. **The Committee understands that the Tea Board had submitted this project proposal through the Food & Agriculture Organisation (FAO) aimed at development of technology and system of organic tea production by setting up model organic farms, for funding by the Common Fund for Commodities (CFC) as early as 2002 but the project could only start in 2009. (para 2.101)**
46. **The Committee is concerned over the delay in firming up the package of best practices for organic tea cultivation as envisaged. The Committee desires that the Department come up with a comprehensive package of organic practices as recommended by Food and Agriculture Organization and also promote on-farm compost production which will significantly reduce the cost of production and enable economic sustainability of organic farming. (para 2.102)**
47. **It is noticed that the Tea Board of India which has been designated as the accreditation agency for organic tea has not certified a single small grower for organic tea cultivation. The Committee wonders as to why the small growers have been kept out of the organic tea movement despite there being huge prospect of promoting organic tea cultivation among small growers. These small growers already possess livestock on their plantations and have been in production of farm compost for long. Further, the financial constraints restraining their capacity to use chemical fertilizers and pesticides in their fields have made it easier for them to switch over to organic tea cultivation. The Committee strongly recommends that the Department take necessary steps to promote organic tea cultivation among small tea growers and include them too for training programmes on organic tea cultivation. It also desires that special incentives may be extended for formation of cooperatives of small growers for organic tea cultivation. (para 2.103)**
48. **The Committee accordingly would like the Department to facilitate the growers in search of markets for organic tea through appropriate incentives to them. (para 2.104)**

COFFEE SECTOR

49. **The Committee is perturbed to note that Arabica which has a greater demand in the international market has not been given due attention for its desired growth and expansion. The share of Arabica which was around 70% during 1970s has come down to 30%. World over Arabica is the largest traded variety with nearly 70% of world coffee trade. Though Indian Arabica are grouped under 'Other Milds' category and compete with coffees from Latin American countries, the growing conditions are not as ideally suitable as in the case of Latin American countries. The Committee is of the considered view that though Indian Robusta is doing well presently, but this positive trend may not continue for a long period of time as Brazil and Vietnam are going to increase Robusta output in a big way at much lower costs because of better natural conditions. The Committee would like to emphasise the other benefits of Arabica as it provides better livelihood to more number of labourers and also brings about an ecological balance for it requires more shade than Robusta. The Committee strongly recommends the Department to promote Arabica production in the country by providing suitable incentives for replantation and new planting. The subsidy for Replanting and expansion of Arabica should be at least 50% for the small growers and an appropriate level of support should also be provided to cooperatives and corporate, since Arabica is mostly cultivated by the large plantations. McKinsey's report of early 2000s also advocated a similar suggestion. (para 3.8)**
50. **The Committee takes serious note of the fact that the data regarding coffee landholdings are being updated in an ad-hoc manner. It has, however, been informed that the Department proposes to update the data base on coffee holdings during XII Plan by employing modern tools like GIS based remote sensing application in collaboration with the ISRO. The Committee welcomes the proposal and recommends the Department to earnestly complete the survey of coffee landholdings so that schemes and policies for development of coffee plantations may be framed efficaciously. (para 3.11)**
51. **The Committee also desires that all efforts must be made to expand the area under coffee cultivation. It recommends the Department to explore all the possibilities and carry out necessary survey in this regard. (para 3.12)**
52. **The Committee recommends the Department to take up the matter with the Ministry of Environment and Forests, Government of India and the State Government and constitute a Task Force to examine the entire issue and also other such issues so as to find a solution to the problem. (para 3.13)**

53. **The Committee is disappointed to note that during XI Plan the Coffee Board revised the original target downward to the tune of 65,000 MT and it still fell short by 62,100 MT of the revised target. In view of the non-realisation of the revised targets of production during XI Plan, the Committee desires that the Department take effective steps towards increasing the production of coffee in the country. It recommends that measures to increase the productivity per hectare be taken earnestly and the State Governments of non-traditional coffee growing States be engaged more vigorously to increase the area under coffee plantation. (para 3.16)**
54. **The Committee is of the view that if the country has once attained the productivity of 960 kg/ha, then there is no reason that it cannot again achieve the same standard of productivity. The Committee is convinced that if appropriate cultural practices are followed along with replantation and rejuvenation of old and senile bushes, then the productivity can even surpass the highest ever productivity level. The Committee desires that the Department take appropriate steps specific to the requirements of each coffee producing state to enable them to increase the productivity of coffee. Also, it must make earnest efforts to evolve drought tolerant varieties and technologies for mitigating the effects of climate change as well as pay focused attention on evolving effective control measures against leaf rust, white stem borer, quality, etc. (para 3.21)**
55. **The Committee is of the view that if the country were to maintain its share of exports as also to sustain the domestic market requirement, it has to grow at 5% per annum. Our preparedness, however, is yet to gain full momentum. The Committee, therefore, recommends that the Department concentrate on increasing the country's coffee production by increasing the area under cultivation where possible, increase productivity levels through relevant R&D activities for developing suitable varieties and extend intensive extension and development support for effective drought mitigation, efficient shade management and integrated pests/diseases management etc. to the growers. (para 3.27)**
56. **The Committee desires that the Department take adequate steps to enhance value realizations through export of high value specialty coffees, value added coffees and certified coffees under the sustainable coffees category for which good demand exists in the global market. (para 3.28)**
57. **The Committee is happy to note that the target for domestic consumption was achieved in the first four years of the XI Plan. (para 3.31)**

COFFEE BOARD

58. **The Committee is of the considered view that the Coffee Board should play a more purposeful role in the years ahead, for which its organizational structure will have to undergo a transformation, from a bureaucratic structure to a knowledge based centre. The hierarchical structure may have to be replaced with professionals, experts and cultivators with specialization in their respective fields and capable of responding to the requirement and expectations of the different sections of the industry. The organization needs to engage specialists in areas such as, research, post harvest management and processing, quality assurance including standards, export and domestic marketing, facilitation, market research and information systems. The conventional organizational structure will have to undergo complete modification with more and more professionals joining the organization. (para 3.37)**
59. **The Committee is of the considered view that coffee promotion is an important task that cannot be discharged as an additional function. The Committee learns that proposal for creation of the post of Director of Promotion has been received from the Board and is under consideration of the Department. The Committee strongly recommends the Department to create the post of Director again and fill the same on priority. (para 3.39)**
60. **The Committee wonders as to why there is a skeletal staff provision in Coffee Homes which are the showcase of Indian Coffee and Coffee Board. The Committee is of the considered view that the Department takes necessary measures to sanction sufficient number of regular posts for employment in Coffee Homes and also undertake facelift of the Coffee Homes which enjoy vintage locations in the cities of their operation. The facelift would certainly draw more people to Coffee Homes. (para 3.40)**
61. **It was brought to the notice of the Committee that small growers of the State of Kerala has not got its representation on the Board for past decade. The Committee understands that small growers representatives of the three coffee growing states get representation on the Board. However, excluding representation of small growers from the State of Kerala for last 10 years is not appreciated. The Committee impresses upon the Department to redress the omission at the earliest. Further, the Committee also notes that the composition of Board membership is still reflective of its pre-free marketing era. After the opening of marketing, there has been no amendment in the Coffee Act to accommodate representation of roasters and exporters on the Board. The Committee recommends the Department to amend the Coffee Act to ensure representation of roasters/exporters on the Board. (para 3.41)**

SCHEMES/PROGRAMMES FOR DEVELOPMENT OF COFFEE

- 62. The Committee recommends the Department to spruce up the functioning of Central Coffee Research Institute (CCRI) and add dynamism to it through collaboration and exchange programmes with reputed national and international research institutes/Universities so that the coffee industry could gain from the best practices available in the field. (para 3.45)**
- 63. The Committee was further dismayed to note that the scientists of CCRI have been put on lower pay scales in comparison to their counterparts working in other National Research Laboratories despite their similar/comparable qualifications, duties and nature of work. The Committee is of the considered view that this anomaly could be the main reason behind the high rate of attrition of meritorious researchers and scientists in CCRI. The Committee recommends the Department to take earnest steps to improve the working conditions of the researchers and scientists in CCRI and put their pay scale at par with those in National Research Laboratories. The Committee would like to be informed about the action in the matter within three months of the presentation of the Report. (para 3.46)**
- 64. The Committee is of the considered view that this arrangement of researchers and scientists doubling up as extension personnel is dangerous since it adversely affects the research and innovation activities and also their effective transmission to the fields. The Committee recommends the Department to carry out a special drive to fill the vacancies of extension personnel so that effective transfer of technology to the coffee plantations can be ensured. (para 3.47)**
- 65. The Committee recommends the Department to expedite the creation of Directorate of Extension at the earliest. (para 3.48)**
- 66. The Committee desires that CCRI should firm up its R&D Action Plan for the next five years which should include development of new High Yielding Arabica strains (resistant to leaf rust). The Committee recommends that Department make all out efforts for effective control of the White Stem Borer which is imperative to sustain Arabica production in India and to also prevent the conversion of Arabica estates into Robusta. The Committee also underlines the urgency of developing drought resistant varieties of Robusta to mitigate the dependency on irrigation. It also emphasizes the need to develop other more effective control measures for the Coffee Berry Borer in addition to Broca Traps and bio control agents. The Committee recommends that ICAR may also be roped in to undertake the essential researches in coffee sector. (para 3.50)**

67. **The Committee takes a serious note of the tardy pace of replantation. It is of the considered view that the coffee sector will be adversely affected in the medium and long term if replantation is not carried out in mission mode. The Committee recommends that the Department revisit the subsidy component as well as quantum of replantation cost under the scheme. It is of the considered opinions that the replanting scheme be continued in the XII Plan and subsidy to small growers may be enhanced to 50%. Further, the cooperatives and corporates should also be included with appropriate level of support under the Scheme. The Committee feels that additional incentives may be given to small growers to pool their resources as cooperatives and Self-Help groups. This will help in effective dissemination of subsidies and other assistance by the Coffee Board and the banks would also be inclined to extend loan for replantation and other infrastructure improvement projects. (para 3.53)**
68. **The Committee is of the view that the Department must address this problem and come up with a replanting model with subsidy provision for the growers desirous of coffee replanting suited to mechanization. (para 3.54)**
69. **The Committee, however, feels that the problem of non-availability of water is quite widespread in the plantations adversely affecting irrigation of crops and undertaking of spraying insecticides or wet process of the coffee harvested and the physical targets fixed under the scheme may be tripled in XII Plan with adequate financial outlay for the same. In the backdrop of non-availability of water as well as the benefits accrued on creation of water tanks to the entire surrounding village, the Committee is of the considered view that that the Scheme should be made applicable to all categories of growers irrespective of extent of land holdings. Further, the subsidy rate may be enhanced appropriately for the different categories of growers and the ceiling be fixed at actual cost. (para 3.56)**
70. **The Committee recommends that the rate of subsidy may be enhanced to 50% for Quality Upgradation and the assistance may also be extended to cooperatives. The Committee is also of the view that ceiling be fixed subject to a maximum of actual cost of pulping unit, drying yard and godown. (para 3.57)**
71. **The Committee is at a loss to understand the reasons behind excluding all categories of growers except those with a holding of less than 20 Ha from taking the assistance under Pollution Abatement, which is pivotal to conservation of our environment and ecology. The Committee strongly desires that assistance under Pollution Abatement may be opened to all categories of growers irrespective of the size of holdings including cooperatives and corporate with appropriate level of subsidy support to all. (para 3.58)**

72. **The Committee was informed during interaction with stakeholders that modern pulpers with least water consumption have come into the market, but the growers are not able to purchase them due to high costs. The Committee is of the view that there is an urgent need to upgrade the pulping facilities with modern eco-pulpers so as to prevent effluent generation and protect the environment. It, accordingly, recommends the Department to enhance the subsidy component to 70% to growers up to 20 Ha and 50% to other categories of growers including cooperatives and corporate so as to enable them adopt the modern pulpers. The entitlement to enhance assistance should, however, be subject to adherence to the prescribed effluent treatment norms by the growers. The Department may engage the Ministry of Environment and Forests, Government of India and Coffee Growing States for effective implementation of the programme. (para 3.59)**
73. **The Committee also finds that there is a frequent problem of erratic power supply to plantations which adversely affects the farm operations. The Committee desires that the Department encourage harnessing of solar energy for farm operations for which subsidy may also be extended to the growers for solar fencing of drying yard, solar lights for drying yards and solar pumps for drip irrigation, etc. The Committee desires to impress upon the Government about the efficacy of drip irrigation in high productivity of crops with less use of water. It can also be used very effectively in less use of fertilizer as shown in Brazilian/Israeli model of fertigation. (para 3.60)**
74. **Nevertheless, the Committee feels that the pace of expansion of coffee coverage in North Eastern Region should have been faster for two strong reasons. Firstly coffee production is a source of gainful employment in remote and rural areas and secondly, the country's necessity to augment coffee production. (para 3.62)**
75. **The Committee desires that the expansion in coffee area in North Eastern Region must be carried on scientific cultivation basis so that higher productivity could be attained. (para 3.63)**
76. **Since the Non- traditional areas like Andhra Pradesh, Odisha and North Eastern Region hold immense prospect for Arabica cultivation, the Committee recommends the Department to extend all possible help in terms of timely supply of improved coffee seeds, shade tree saplings to establish/improve shade for coffee cultivation, quality improvement to prepare washed coffee and marketing support in these regions. (para 3.64)**
77. **The Committee would also like the Department to seize the opportunity offered by coffee cultivation in the North Eastern Region where the cultivation is organic by default. It recommends the Department to take all steps to obtain Organic Certification for the**

- coffees of the region and help establish linkage with the exporters so that the coffee could be sold at premium helping the growers and workers alike. Such coffees could also be marketed as exotic coffees for e.g. Fair Trade coffee etc. and command premium price. (para 3.65)
78. The Committee notes that the coffee expansion programme is successful in the state of Andhra Pradesh but it is not so in the State of Odisha as well as the North Eastern region. The Committee recommends the Department to take up the matter with the concerned State Governments on priority. (para 3.67)
79. The Committee recommends that the programme may be continued in the XII Plan for capacity creation of more number of stakeholders in the sector. (para 3.68)
80. The Committee is of the considered view that the support may be continued in XII Plan also with a target of bigger number of beneficiaries. (para 3.69)
81. The Committee feels that the scheme of interest subsidy should be reframed since the requirement of having no less than 7% balance interest to avail the benefits is non- viable as most of the banks have reduced the interest rates on all working capital. It accordingly advises the Department to reduce the balance interest requirement to 4 per cent. (para 3.71)

MARKET DEVELOPMENT

82. The Committee is of the considered view that the Board's Domestic Promotion activities should be continued to increase coffee consumption in the country, as it can act as an insurance against volatile coffee prices in the international market. Presently about 70% of the coffee grown in the country is exported and as such there is no fall back option to our growers when the international prices fall to non-remunerative levels. Creation of domestic demand would provide buffer to Indian coffee prices as the growers would be in a better position to fall back upon relatively higher domestic process arising out of higher consumption and demand within the country. (para 3.75)
83. The Committee strongly feels that it is necessary that enough funds are earmarked for generic promotion of coffee consumption in India. One of the main reasons for the slower growth rate is the cumbersome process of making a good cup of coffee. To help out in making coffee much easier, it is appropriate to reduce the price of coffee filters, home espresso machines, home roasters, grinders etc. Subsidy may also be extended for purchase of equipments required for manufacturing Instant Coffee to small growers. The Department

of Commerce may engage Ministry of Finance and the State Governments in the matter. (para 3.76)

RISK MANAGEMENT TO COFFEE GROWERS-RAINFALL INSURANCE SCHEME FOR COFFEE (RISC)

84. The Committee would like the Department address the concerns and lapses noticed during the implementation of the scheme and make the Rainfall Insurance Scheme for Coffee (RISC) attractive to the growers of all growing zones during the XII Plan. (para 3.79)

EXPORT PROMOTION OF COFFEE

85. The Committee is of the considered view that the incentive for export of Value Added Coffee as India Brand @Rs.2/- per kilogram and export of High Value Green Coffee to far off markets @Re.1/- per kilogram under the scheme on Promotion of Coffee Export may be enhanced to Rs.3 per kg and Rs.2 per kg respectively to help compete the exporters in the global market. (para 3.83)
86. The Committee also feels that a grower is much better a stakeholder to tell “the Indian coffee and its biodiversity” story than anyone else, hence he may also be incentivised to participate in International Exhibitions and Fairs. The Committee is of the opinion that growers should also be sent by the Department for participation in international events. It hopes that such a move will bring more visibility and benefits to the image of Indian Coffee internationally. (para 3.84)

SUPPORT FOR COFFEE PROCESSING

87. The Committee is of the view that Coffee Board must make concerted efforts so as to broaden the coffee processing base in the country. The success of the scheme will certainly result in larger domestic consumption of coffee. (para 3.86)

SUPPORT FOR MECHANIZATION OF COFFEE ESTATE OPERATIONS

88. The Committee appreciates the efforts of the Department towards mechanization of farm operations but still a lot remains to be done to bring real mechanization of farm operations in coffee plantations. The Committee is of the view that since the cost of a machine remains same irrespective of the category of holdings, the Department may revise the ceiling level after taking into account the average price of all the essential machines required for coffee farm operations and fix them uniformly for all categories of landholdings. The subsidy component may vary according the category of holdings of the growers. (para 3.90)

89. **The Committee learns that subsidy on purchase of tractors and tillers are presently extended to growers who own 20 ha and above only. The Committee desires that the concession may also be extended to small growers with a holding of less than 20 ha. (para 3.91)**
90. **The Committee recommends that the subsidy scheme for mechanization be continued in the XII Plan with adequate financial outlay and more machineries like green bean separators, fertilizer applicators, drip irrigation equipment, etc. must be included under the Scheme for greater benefit of the growers. (para 3.92)**

COFFEE DEBT RELIEF PACKAGE 2010 (CDRP)

91. **The Committee welcomes the Coffee Debt Relief Package whereby a total of 1,35,040 small coffee growers have been benefited. It is, however, of the view that the relief extended could have been timelier as there has been little delay in its sanction and disbursement. The Committee desires that the Department should be more proactive towards relief and rehabilitation of the growers and the workers in future. It hopes that the remaining Rs. 8.25 crore towards pending claims was disbursed within the month of June itself. (para 3.96)**
92. **During the study visit of the Committee, it was requested that the accumulated, capitalized and interest on the bank loans as on 30.03.2011 may be waived off and the principal may be rescheduled. The Committee recommends that the Department to look into the matter sympathetically. (para 3.97)**

OTHER MAJOR ISSUES COFRONTING COFFEE SECTOR

93. **The Committee recommends the Department to open a dedicated farm implements and machinery unit within CCRI or outside it so that adequate attention can be given to machinery requirement of coffee industry. The Committee finds that majority of the machineries imported for coffee industry are either exorbitantly priced or are not suited to local plantations. The Committee desires the Coffee Board to tie up with IITs and other reputed institutions for development of indigenous technology for such machines. It is further desired that equipments developed/identified should be used in actual plantation setting which also factor in appropriate differences of terrain in use so that it enables real evaluation. (para 3.101)**
94. **The Committee is of the considered view that instead of withdrawing or suspending the MNREGA scheme during harvesting season, it may rather be extended to works in coffee plantations and the item of works like construction of water tanks, ground water and soil management work, etc. may be identified for being dovetailed with the list of work allowed under MNREGA. The Committee recommends the Department take up the matter with Ministry of**

Rural Development, Government of India. Further developing the infrastructure such as roads, electricity, schools, nursing homes should be made through Public Private Participation to enable the labourers get the basic necessities at their doorstep and, thereby, stop their migration to urban areas for the said facilities. (para 3.102)

95. The Committee is concerned to note that there is a general reluctance amongst the growers to incur the social cost mandated under the Plantation Labour Act. This reluctance is mainly on account of rise in input costs of cultivation including the rise in wages of labour. Nevertheless, the Committee desires that the Department takes cognizance of the problem and take necessary action to redress the situation. It also recommends the Department to implement the Inter Ministerial report on sharing of social costs among the management, Central Government and the State Government in the ratio of 50:40:10. The Committee at the same time appreciates the efforts of the Coffee Board in extending welfare assistance to the children of workers engaged in coffee Plantations and coffee curing works as well as to the children of tiny coffee growers. (para 3.103)
96. The Committee shares the concern of the growers and it desires that the Department take up the matter with Ministry of Labour and Employment on priority basis. (para 3.104)
97. The Committee is of the considered opinion that formation of cooperatives of small growers would help these growers augment their infrastructure and bring economy in cost of production, undertake marketing of their produce and carry out value addition activities. (para 3.105)
98. The Committee desires that the Department make all efforts to institutionalize cooperatives in coffee sector and extend all assistance to them to enhance their technical know-how and infuse professionalism in their working. The Committee recommends the Department to promote formation of cooperatives in the entire chain of production, processing and marketing. The Department may also approach National Cooperative Development Corporation (NCDC) to supplement Department's efforts and assistance in the matter. (para 3.107)
99. The Committee appreciates the efforts of Coffee Board and hopes that real benefits would be extended to the members of SHGs for all necessary activities. (para 3.109)
100. The Committee desires the Coffee Board to extend incentives to exporters of organic coffee for exports in traditional market and also help in finding new markets for organic coffee. It also feels that

domestic promotion of organic coffee must be taken up earnestly.
(para 3.111)

101. **The Committee agrees with the views of Coffee Board that practicing organic farming over the entire area and phasing out all chemical fertilizers, pesticides and fungicides would make coffee cultivation unviable and may result in elimination of coffee from the region. It will thus have very significant socio-economic impact on a big population dependent on coffee and other plantations. The Committee expresses its disappointment that the Expert Panel did not consult Coffee Board while giving their recommendations. The Committee desires that the Department take up the matter with the Ministry of Environment and Forests and discuss the matter threadbare since livelihood of a huge population will be at stake if the Report is implemented. The Committee would like the Department to undertake sincere measures to ensure that coffee cultivation in no way impact the ecosystem of the Western Ghats. It should ensure adoption of integrated sustainable cultivation in the region.** (para 3.114)
102. **The Committee recommends the Department to take up the matter with Ministry of Environment and Forests and find the solution to the problem. It at the same time desires that the Department promote conversation of forest and plantations through the growers.** (para 3.115)
103. **The Committee in light of these advancements that has taken place after the 2008 Notification feels that the procedure laid in the Notification may be reviewed. The Committee accordingly recommends the Department to engage Ministry of Environment and Forests and Central Pollution Control Board to review the said notification and stay the procedure laid therein.** (para 3.116)
104. **In view of the growing demand for quality coffee, the Committee recommends the Department to extend necessary financial support to upgrade the curing industry and also take up the matter of import duties and other fiscal measures with Ministry of Finance to help reduce the import cost of high-end machines.** (para 3.118)
105. **The Committee recommends that sale of coffee after processing at estate level or though the curing works should be treated as agricultural produce, since the process involved from fresh fruits to clean coffee is a normal agricultural post harvest process which cannot be considered as manufacturing process and should be exempted from Section 7B of Income Tax Act.** (para 3.119)

ANNEXURE

Annexure I

PERFORMANCE OF PLANTATION SECTOR-TEA AND COFFEE INDUSTRY DETAIL OF MEMORANDA RECEIVED

SL. NO.	NAME OF INDIVIDUAL / ORGANISATION	ADDRESS	CONTACT DETAIL		
			CELL PHONE NO.	LANDLINE	EMAIL
1.	Shri S. R. Kumar,	49/16, Narasimman Road, Shevapet, SALEM-636002, Tamil Nadu			
2.	Shri M.A. Majria, President	Indian Quality centre for trade promotion & marketing development society, S/3742, A-49, Preet Vihar, Delhi 110092	09311384184		qualityofindia@yahoo.com
3.	Mr. Ismail & Others, S/o Late, U.Iddikunhi,	Derunda, Gonibeedu Hobili, Mudigere Taluk, Chikkamagalore Dist. Karnataka State	09242513686		
4.	Shri J.Tamilselvan, President	62-A, AR Arunachalam Road, Sivakasi-626123, Tamil Nadu	09843466666		jtamilselvan@bsnl.in
5.	Shri Raj Kumar Khaitan	5-B, Russel Street, Flat No. 7B, Gem House, Kolkata-700071	09339839574		
6.	Shri G. Rabarit	Swadesh Sahaya Sangam, Aryasalakonam, Perumpazhuthoor, P.O. Neyyattinkara, T.V.M. Kerala			
7.	Shri M. Sathish Kumar	321/4, Gandhipuram, PATTI VEERAN PATTY 624211, Dimdigal Distt. Tamil Nadu			
8.	Shri Sudhir Kumar, Member (Administrative) CAT. Rajasthan	Central Administrative Tribunal, Jodhpur Bench, Jodhpur, Post Box No. 619, Jodhpur-342006	08769111400	0291-2545858 Fax: 0291-2545639	

Annexure II

PERFORMANCE OF PLANTATION SECTOR-TEA AND COFFEE INDUSTRY DETAIL OF MEMORANDA RECEIVED

SL. NO.	NAME OF INDIVIDUAL / ORGANISATION	ADDRESS	CONTACT DETAIL		
			CELL PHONE NO.	LANDLINE	EMAIL
1.	Th. Surender Singh, President The Kangra Valley Small Tea Planters Association	Chai Bhawan, Kalu Di Hatti, PO Maranda Tehsil, Palampur Distt, Kangra, Himachal Pradesh-176102	-----		
2.	Small Tea Growers of Kangra Valley	Palampur, Kangra, Himachal Pradesh			
3.	Thakur Rajinder Singh, Vice Chairman The Palampur Co-operative Tea Factory Ltd.	P.O. Maranda, Distt. Kangra, Himachal Pradesh-176102		01894-238981	palampurtea@sancharnet.in
4.	Members, Kangra Tea Planter Vipnan Odyogik Sehkari Sabha Samiti	Kalu Di Hatti, PO Maranda Tehsil, Palampur Distt, Kangra, Himachal Pradesh-176102			
5.	Himalaya Jevsampada Prodyogiki Sansthan	Palampur, Himachal Pradesh			
6.	President, The Baijnath Co-operative Tea Factory Ltd.	Baijnath Distt. Kangra-176125, Himachal Pradesh			
7.	Shri Bidyananda Barkakoty, Chairman, NETA; Shri A.R. Kasera, Chairman, ATPA; and Shri Manoj Jalan Chairman, BCP	Joint Forum of ATPA, NETA and BCP Assam Tea Planters' Association (ATP), A.T. Road, Tarajan, Jorhat-785001; North Eastern Tea Association, G.F. Road, Bengenakhowa, Golaghat-785621; and Bharatiya Avenue, Jalannagar, Dibrugarh-786005			info@atpa.in neta_assamtea@yahoo.com bcptea_1@sancharnet.in
8.	Shri Pronoy Basumatary, All Bodoland Small Tea Growers' Association	H.O. & P.O. Odalguri, Distt. Odalguri BTAD (Assam)		94351-84137	pbpriski@gmail.com
9.	Shri Ajit Kr. Saikia, Tea Board Employees Association	Zonal Unit, Guwahati, Housefed Complex, 5 th Floor, Dispur, Guwahati-781006			
10.	Shri K. Vungzamawi, Secretary, Zomi Economic Planning and Development Agency (ZEPADA)	Tedim Road, New Lamka, P.O. Box-206, PS & PO Churachandpur, Manipur		03874-236438	zepada@gmail.com www.zepada.org
11.	Shri L. Loyi, Deputy General Manager North Eastern Development Finance Corporation Ltd. (NEDFi)	NEDFi House, G.S. Road, Dispur, Guwahati-781006		0361-6115555	www.nedfi.com

12.	Shri Mani Kumar Darnal, General Secretary, Indian National Plantation Workers Federation (Indian National Trade Union Congress)	N.U.P.W., Birpara-735204, Distt.-Jalpaiguri, West Bengal	9434006765 9434118096	03563-266563	
13.	Shri Bijoy Gopal Chakraborty, President Confederation of Indian Small Tea Growers' Association (CISTA)	173-A, Khirki Village, Malviya Nagar, New Delhi-110017		011-29543084	Cista2007@gmail.com
14.	Shri Abdul Rahim, Bijni	Assam			
15.	Shri Suan Khan Mang	Zogam, Pillai, Coffee Plantation, Churachanapur, Manipur			
16.	Shri Mang Khosat Centhang	Coffee Grower Haflong Zone, Nchiii, Assam			
17.	Shri Laldawng Kima	Mizoram Growers, Mizoram			
18.	Shri Zhevukhli Assumi	V.K. Town Zunhetoto, Nagaland			
19.	Shri Kalyan Basu, Secretary General, Tea Association of India	India Exchange, 4. Maharana Pratap Sarani, 7 th Floor, (India Exchange Place) Kolkata 700001		2230-6921/9726	teaasso@vsnl.net
20.	Shri S. S. Bagaria, Chairman, Darjeeling Tea Association	6, Netaji Subhas Road, Kolkata-700001		033-22102408 22310433	darjeeling.tea.association@gmail.com www.darjeelingtea.com
21.	Shri B. Banerjee, Chairman, Tea Research Association	113, Park Street, 9 th Floor, Kolkata-700016		033-2229-1815 2229-3813	secretary@tocklai.net www.tocklai.net
22.	Shri Ashok Aikat, President, Bharat Chamber of Commerce	9, Park Mansions, 2 nd Floor, 57-A, Park Street, Kolkata-700016		033-22299591 22299608 22291647	bcc@cal2.vsnl.net.in bharat.chamber@gmail.com
23.	Ashini Baruah, President, All Assam Small Tea Growers' Association	Lahowal, College Road, Dibrugarh-786010, Assam	9435036119, 9864886600 9859986100	03672-276718	www.aastqa.org
24.	Shri Anshuman Kanoria, Chairman, Indian Merchant Tea Exporters' Forum	Bengal Chamber of Commerce & Industry, 6 N.S. Road, Kolkata-700001		033-22129743	imtef.kol@gmail.com
25.	Shri Hemanta Gohain, President, All Assam Tea Factory Demand Committee	All Assam Tea Factory Demand Committee, Banikanta Pegu Bhawan, Near Dibrugarh Deputy Commissioner Office, Dibrugarh-786001	9678310807 9957660268 9435037508 9954578238		
26.	Benjamein Momin and others				
27.	Shri Ramesh Rajah, President	Coffee Exporters Association			

28.	Dr. N.K. Pradeep, President, Karnataka Growers' Federation	P.B. Nm.47, Raghavendranagar, Sakaleshpur-573134 Hassan Distt. Karnataka	9448106275	08173-230727 243844 230727	kgfkar@gmail.com pradeep_nandi@yahoo.com
29.	Shri A.N. Devraj. Chairman, All India Coffee Curers' Association (Regd.)	Sarathy Coffee Curing Works T.A.P.C.M.S. Complex, K.M. Road, Chikmagalur-577101	9448076931	08262-230106	satathy2@sancharnet.in
30.	Coffee Board Scientists Association,	Central Coffee Research Institute (Coffee Board), Coffee Research Station Post - 577117, Chikmagalur District, Karnataka			
31.	Dr. Pradeep N.K. President Karnataka Growers' Federation	P.B. No. 47, raghavendra nagar, Sakaleshpur, Karnataka			
32.	Shri S.V. Ranganath, Chief Secretary	#320, 3 rd Floor, Vidhan Soudha, Bangalore - 560001		080-22252442 22253716	cs@karnataka.gov.in cskarnataka@gmail.com
33.	Shri B. Kumaran, President, Bharathiya Janatha Party	Nilgiris District			
34.	Shri Ramesh M. Bhojarajan, President, The Nilgiri Bought Leaf Tea Manufacturers' Association	9, Mount Road, Coonoor 643102, The Nilgiris, Tamil Nadu		0423-2232344	
35.	Shri T. Balakrishnan, President, Nilgiris Industrial and General Workers Union (AITUC)	12/711-D, Chevidipet, Gudalur - The Nilgiris - 643212			
36.	Shri D. B. Subbe Gowda, Chairman, COMARK	Planter's Coffee Curing Works, P.B. NO. 167, Belur Road, Hassan - 573201		08172-256225	
37.	Shri Marvin Rodrigues, Chairman, Karnataka Planters' Association	P.B. NO. 18, Spencer Road, Chikmagalur- 577101		08262-231386	karnatakaplanters@gmail.com
38.	Shri A.S. Kattimandaiah, President, Kodagu Growers Federation	Srimangla Post, Kodagu District Karnataka	94880389057		
39.	Sherty Subbaiah, Advisor Kodagu Growers Federation	Virajpet taluk, Kodagu District, Karnataka			
40.	Shri P.F. Saldanha, Member Coffee Board	Ministry of Commerce & Industry, No. 1, Dr. B.R. Ambedkar Veedhi, Bangalore-560001	9448089011	08177-294075 294079	bcct_saldanha@yahoo.in www.indiacoffee.org
41.	Shri A. Thara Aiyamma, Member, Coffee Board	Ministry of Commerce & Industry, No. 1, Dr. B.R. Ambedkar Veedhi,	9449252563	08274-272063	tharaaiyamma@yahoo.co.in

		Bangalore-560001		
42.	Shri C. M. Kaverappa, President, Kodagu District Small Growers' Association	Sidapur, Kodagu-571253		
43.	Shri N.A. Appaiya, President, Kodagu Jilla Coffee Belagarara Sangha	Post Box-122, Madikeri N. Kodagu, Karnataka- 571201		
44.	Udupi Zilla Thengu Belegarara Vividhodesha Sahakari Sangha	Udupi District Coconut Growers Multipurpose Co-operative Society, 2-13D20B, Zera Building, 1 st Floor, Gopalapura, 1 st Cross, Santhekatte Post, Kallianpura, Udupi District-576105	0820-2580190	
45.	Prof. V.G. Dhanakumar, Director, Indian Institute of Plantation Management	Jnana Bharathi Campus, P.O. malathalli, Bangalore -560056	080-23211716 23212773	director@iipmb.edu.in vgdkumar@vsnl.net www.iipmb.edu.in
46.	Shri Prasanth Rajesh M.S., The Wayanad Coffee Grower's Association	Kalpetta-673121, Wayanad District, Kerala	9446076969	04936-202425, 202475
47.	Shri Sowbhagya Gopal, President Block Congress Committee Sringeri			
48.	President, Coffee Roasters Association of India	22/1, Sajjan Rao Road, V.V. Puram, Bangalore- 560004	9845018174, 9900149998, 9448491941	
49.	Shri Prince Thomas George, Secretary The Association of Planters of Kerala			
50.	Smt. Radha, Member Coffee Board			
51.	Shri Jayaprakash Hegde, MP Lok Sabha	Indian National Congress (INC) Udupi, Chikmaglur (Karnataka) Kalpetta	9013180809	jphegde16@yahoo.com
52.	Shri John Pottas, President Idukki District Coffee Growers			
53.	Shri Ullas Menon, Secretary General, The United Planters' Association of Southern India	The United Planters' Association of Southern India, Glenview, Coonoor-643101, Nilgiris, Tamil Nadu.	0423-2230270	commodities@upasi.org

MINUTES

***XVII
SEVENTEENTH MEETING**

The Department Related Parliamentary Standing Committee on Commerce met at 11.00 A.M. on Wednesday, the 1st June, 2011 in Committee Room 'A', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

1. Shri Shanta Kumar — *Chairman*

Rajya Sabha

2. Prof. P.J. Kurien
3. Dr. E.M. Sudarsana Natchiappan
4. Shri Jai Prakash
5. Shri K.N. Balagopal
6. Shri Ishwarlal Shankarlal Jain
7. Shri Prem Chand Gupta

LOK SABHA

8. Shri G.S. Basavaraj
9. Shri K.P. Dhanapalan
10. Prof. Sk. Saidul Haque
11. Shri Dilip Singh Judev
12. Shri Somendra Nath Mitra
13. Shri Deoraj Singh Patel
14. Shri Sanjay Dina Patil
15. Smt. Kamla Devi Patle
16. Shri Yashvir Singh
17. Shri K. Sudhakaran
18. Shri Thol Thirumaavalavan

SECRETARIAT

Shri P. P. K. Ramacharyulu, Director
Dr. (Smt.) Subhashree Panigrahi, Joint Director
Smt. Indira Chaturvedi Vaidya, Assistant Director
Shri R.K. Sharma, Committee Officer

WITNESSES

**REPRESENTATIVES OF DEPARTMENT OF COMMERCE, MINISTRY OF
COMMERCE & INDUSTRY**

Shri Rahul Khullar, Secretary
Smt. Vijaylakshmi Joshi, Additional Secretary

* Minutes of the 1st to 16th meeting of the Committee relate to other matters.

Shri Dinesh Sharma, Chairman, Tea Board
Shri M.R. Sharma, Director
Shri G. Boriah, Director, Tea Board
Shri Siddharth, Joint Secretary
Shri Asit Tripathi, Chairman, APEDA

2. The Chairman welcomed the Members and informed them that representatives of the Department of Commerce, Ministry of Commerce & Industry had been called to give presentation on Performance of Plantation Sector – Tea Industry. ***. The Chairman asked the Commerce Secretary to first clarify the queries raised the previous day and then start presentation on Performance of Plantation Sector-Tea Industry.

3. * * *

4. * * *

5. * * *

6. Thereafter, the Secretary, Department of Commerce made a presentation on Tea Industry. Referring to India as the second largest producer and exporter of tea, he gave an overall picture of tea production in the country, major tea growing areas, production statistics, problems associated with old and senile plantations, closed tea estates, the reopened ones, creation of Special Purpose Tea Fund for revival of the tea industry and replantation/rejuvenation schemes etc.

7. Regarding Tea Plantation in Himachal Pradesh, he informed that Himachal is predominantly an orthodox tea producing state. But, tea cultivation area in Himachal Pradesh has declined from 2300 hectares to 1100 hectares. Many growers have left the business and production resultantly has also declined, from 1.7 million ton to less than one million ton. He explained that Himachal Pradesh tea is originally orthodox, is costlier and with a market crash, did not find buyers. The growers also failed to diversify. Moreover, the extant policy of the Government of Himachal Pradesh also prevents leasing out of small holdings to corporates to revive the tea gardens. In spite of these obstacles, the Secretary suggested that some via-media could be found out exploring possibilities like allowing HPMC to take over sick plantations and further sub-contract them for revival of tea industry in the state.

8. The Members of the Committee sought clarifications on the following issues: -

- (i) replantation subsidy for tea;
- (ii) transport subsidy to growers / exporters;
- (iii) reduction in the production of tea;

*** Relates to other matter.

- (iv) viability of Bought Leaf Factories (BLF);
 - (v) tea plantations in Kerala; and
 - (vi) export of tea to Pakistan.
9. A verbatim record of the proceedings of the meeting was kept.
 10. The Committee then adjourned at 12.22 p.m.

***XXII**

TWENTY-SECOND MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 3.00 P.M. on Tuesday, the 23rd August, 2011 in Committee Room 'A', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

MEMBERS

1. Shri Shanta Kumar — *Chairman*

Rajya Sabha

2. Dr. E.M. Sudarsana Natchiappan
3. Shri K.N. Balagopal
4. Shri Y.S. Chowdary

LOK SABHA

5. Shri G.S. Basavaraj
6. Shri K.P. Dhanapalan
7. Prof. Sk. Saidul Haque
8. Shri Nalin Kumar Kateel
9. Shri Deoraj Singh Patel
10. Smt. Kamla Devi Patle
11. Shri Vishnu Deo Sai

SECRETARIAT

Smt. Sharada Subramaniam, Joint Secretary
Dr. (Smt.) Subhashree Panigrahi, Joint Director
Shri Amit Kumar, Assistant Director
Shri Rajesh Kumar Sharma, Committee Officer

WITNESS

Prof. V.G. Dhanakumar, Director, Indian Institute of Plantation Management,
Bengaluru

* Minutes of the 18th to 21st meeting of the Committee pertains to other matter.

2. The Chairman welcomed the Members and informed them that the meeting being held was the last before its reconstitution. He thanked all the Members for their whole-hearted cooperation and then valuable deliberations which had helped the Committee in accomplishing its tasks successfully.

3. * * *

ORAL EVIDENCE OF DIRECTOR, INDIAN INSTITUTE OF PLANTATION MANAGEMENT, BENGALURU ON PERFORMANCE OF TEA AND COFFEE INDUSTRY

4. The Director at the beginning of his presentation informed the Committee that IIPM have prepared two reports on tea and coffee respectively and submitted them to the Ministry of Commerce and Industry. These Reports, comprehensively deal with various aspects of tea and coffee industry in the country. He then presented a copy each of the two Reports to the Committee.

5. Director, IIMC during his presentation dealt on tea and coffee sectors separately. He mentioned that significant changes were being noticed in tea sector in terms of increasing labour and social welfare costs, declining productivity, replantation and labour shortage, emergence of small growers and bought leaves factories (BLFs), export orientation, areas of research and structural infirmities. It was argued that presently the entire social welfare costs were being borne by the industry which has largely eaten the profitability of tea trade and it was important that the State should come forward to share the welfare cost. The Director gave three models of fixed cost sharing on statutory benefits like housing, medical, and drinking water and the likely expenditure to be borne by the Central Government and the industry respectively under these models apart from recurring cost sharing projections on tea workers' housing and medical benefits. The financial projections were based on gap analysis and unit cost of each component in sync with welfare programmes of the Government. It was also pointed out that there was a need for strengthening the Tea Promotion Directorate by recruiting professionals and fixing performance targets for it. This would in turn help in trade facilitation and promotion as well. The Director further submitted that Special Purpose Tea Fund

*** Relates to other matter.

(SPTF) meant for replantation has failed to achieve desired results on account of shortage of skilled labour, forest restrictions, decline in tea prices during 1999 to 2007, poor finances of the gardens, inability to generate internal resources to meet the costs of replantation on sustained basis and loss of revenue due to a gestation period of 5-7 years. It was suggested that existing credit arrangements might be simplified and gardens should be allowed to get loan directly from the banks with interest subvention on extra interest burden of such loan. It was also submitted that separate department for designing indigenous machinery suiting to our terrain and topography be established, Integrated Pest and Disease Management (IPDM) strategies may be formulated, adequate number of Climate Research Laboratory be established and suitable production practices be developed. Apart from these, need to fix uniform Minimum Residue Level (MRL) as per international standards in collaboration with CFTRI, CSIR and Ministry of Health and Family Welfare was emphasized along with setting up of state-of-art Quality Testing Laboratories. It was also suggested that separate tea growers cell within the Directorate of Tea Board of India on the lines of the Kenyan Tea Development Authority and Tea Small Holders Development Authority might be established.

6. Director, IIPM then gave an overview of the coffee sector in India. Being the sixth largest producer of coffee globally, Indian coffee constitute 4% of world coffee exports. The traditional plantation areas of coffee are Karnataka, Kerala and Tamil Nadu and there is an expanding domestic market. It was observed that productivity of Arabica and Robusta have been declining. The production as well as productivity of coffee have been adversely affected due to vagaries of climatic conditions and pest attacks, reduced labour efficacy, aged plantation, inadequate institutional support, lack of timely farm operations. To check the decline in production, it was submitted that Replanting Development Support Scheme be continued and customized. New improved pest and disease resistant varieties should also be developed. Other issues like, promotion of indigenous mechanization within ergonomic dimensions, establishment of more weather stations and incentive-based motivational training programmes to improve labour efficacy and carrying out interdisciplinary research with emphasis on coffee quality improvement are also the need of the hour. In order to give a fillip to replantation and productivity, it was argued that existing scale of support from 40:30:25 might be enhanced to 60:40:25 during the XIIth Five Year Plan and detailed study on replantation modalities should be undertaken. He pointed out that though labour employment per unit area have increased still average labour productivity has declined. It was also submitted that Directorate for Coffee Promotion is required to

frame medium and short term strategies for promotion of coffee in international and domestic markets and also launch Coffee Entrepreneurship programme on urgent basis.

7. After the presentation, Members raised their concerns on the following issues and also sought clarifications/suggestions on them:

- (a) the reasons for labour shortage in tea and coffee plantations;
- (b) the problem of availability of skilled labour on timely basis and imparting necessary training;
- (c) coordination with State Agricultural Universities for carrying out research in plantation machinery and produce machines of desired specifications as per local need;
- (d) recommendations of Wage Board for increase in wages of tea and coffee labourers have been pending for long;
- (e) efficacy of initiating integrated nutrient management in the plantations and promotion of organic plantation since it brings in more premium to the farmers;
- (f) crucial posts were lying vacant in Coffee Development Board and this has affected proper marketing of coffee. Further, new recruitment rules have adversely affected the morale of the employees of Coffee Board and have become a potential ground of agitation;
- (g) challenges before the small growers and the road map for them so that they could play an important role in promotion of vibrant tea and coffee economy in the country;
- (h) incentives that may be given to farmers to promote re-plantation including revisiting the relevant clauses of the Forest Act that hinders re-plantation; and
- (i) development of high-yielding variety of plants that reduces the gestation period for bearing fruits and, thereby, increase the productivity.

8. Director, IIPM gave clarifications to the queries raised above. The Chairman thanked the witness for his presentation and directed him to send written replies to the queries, not answered orally. The witness, then, withdrew.

9. The Committee adjourned at 4.02 p.m.

***IX
NINTH MEETING**

The Department Related Parliamentary Standing Committee on Commerce met at 11.00 A.M. on Wednesday, the 18th January, 2012 in Committee Room 'E', Basement, Parliament House Annexe, New Delhi.

PRESENT

MEMBERS

1. Shri Shanta Kumar — *Chairman*

Rajya Sabha

2. Dr. E.M. Sudarsana Natchiappan
3. Shri Jai Prakash
4. Shri K.N. Balagopal
5. Shri Prem Chand Gupta
6. Shri Y.S. Chowdary

LOK SABHA

7. Shri G.S. Basavaraj
8. Shri Shivarama Gouda
9. Prof. Sk. Saidul Haque
10. Shri Dayanidhi Maran
11. Shri Jagdish Sharma
12. Shri Rajaiah Siricilla

SECRETARIAT

Smt. Sharada Subramaniam, Joint Secretary
Shri J. Sundriyal, Director
Shri Amit Kumar, Assistant Director

WITNESSES

(i) REPRESENTATIVES OF COMPETITION COMMISSION OF INDIA

*

*

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* Minutes of the 1st to 8th meeting of the Committee relate to other matters.

*** Relate to other matters.

(ii) REPRESENTATIVES OF THE UNITED PLANTERS' ASSOCIATION OF SOUTHERN INDIA (UPASI)

Shri Ullas Menon, Secretary General
Shri Peter Mathais
Shri Shaji Philip
Shri Sanyal

2. The proceedings of the meeting commenced with opening observations by the Chairman wherein he welcomed the Members of the Committee and informed them about the agenda for the day.

I. ORAL EVIDENCE OF REPRESENTATIVES OF COMPETITION COMMISSION OF INDIA ON FDI IN PHARMACEUTICALS SECTOR

3.	*	*	*
4.	*	*	*
5.	*	*	*
6.	*	*	*
7.	*	*	*
8.	*	*	*
9.	*	*	*

II. ORAL EVIDENCE OF REPRESENTATIVES OF THE UNITED PLANTERS' ASSOCIATION OF SOUTHERN INDIA (UPASI) ON PERFORMANCE OF PLANTATION SECTOR-TEA AND COFFEE INDUSTRY

10. The Chairman welcomed the representatives of UPASI and sought their views on varied issues like slow pace of replantation/rejuvenation, working of social security framework for workers engaged in plantation activities, ways and means for increasing the production as well as productivity of tea and coffee, status of R&D to improve the quality of tea and coffee, etc.

*** Relates to other matter.

11. The representatives of UPASI during their presentation dealt on Tea and Coffee separately. It was submitted by the former Chairman of the UPASI Coffee Committee that the fundamental problem afflicting the coffee sector was low productivity as evidenced in the decline in the yield from 857 kg per hectare to 766 kg per hectare. He submitted that there was an urgent need not only to increase the productivity but also reduce production cost so as to remain globally competitive. He suggested that higher productivity could be achieved by improving planting materials and identifying elite clones which may be bred in collaboration with world class coffee research institutes; by changing the plant's architecture, especially, Robusta; by introducing new effective pesticides and developing best pest management practices.

12. Expressing concern over the severe shortage of labour in the plantations he emphasized the need to develop coffee-harvesting machines designed to local conditions along with development of plantation models congenial to mechanization was emphasised. It was argued that amount of replantion subsidy may be enhanced and the practice of differentiation on the basis of types and size of ownership of coffee plantations for extending assistance must be stopped to give boost to replacement of senile bushes and plantation of newer material.

13. The Committee was also briefed about the poor state of R&D activities in coffee sector. It was suggested that working of the Central Coffee Research Institute must be improved and an enabling environment for promotion of R&D must be put in place with adequate opportunities for rewards for significant achievements. The representatives of UPASI also sought the help of the Committee for recommending their representation on the Coffee Board on the lines of Tea Board where UPASI is currently represented.

14. Thereafter, Chairman of the Tea Committee for UPASI apprised the Committee about the state of tea sector in South India. He informed that the Tea Board has been extending incentives in the form of subsidy under Special Purpose Tea Fund (SPTF) for replacing the old senile tea plants. However, constraints like scarcity of labour, steep

slopes and long gestation period for new production has discouraged growers from replacing the old tea plants with new ones. He mentioned that the Quality Upgradation Scheme has been very successful and the tea factories have utilized the subsidy under the scheme to get good quality machines. He added that the Orthodox Subsidy Scheme has worked well and the incentives extended under the scheme should continue so as to maintain that the current level of production. He desired that the recent proposal of the Tea Board for 100% sale of orthodox tea through the auction system should not be implemented as the orthodox tea factories have established buy-back relationship with buyers abroad in last few years.

15. The representatives of UPASI mentioned that tea industry in South India was facing trade difficulties in their markets, viz. in West Africa and North Africa due to internal disturbance in such countries. He apprised that schemes like Import of Tea for Export and the Merchant Exporters have had adverse impact as many Indian tea consignments have been rejected and this has resulted in tremendous unpleasantness and adverse publicity in the markets abroad. It was informed that UPASI has been nominated by the Ministry to act as Indian Tea Promotion Council for marketing and export of tea. The representatives of UPASI stated that marketing was not their area of expertise and this function may be taken over by Tea Board.

16. The Committee was, then, informed about the efforts made by UPASI since 1926 on research activities whereby they have been doing research for Association's Planters through their own pool of scientists. The Tea Board has been assisting 80 per cent of the total funds required to sustain this mechanism. They wanted the Committee to recommend the continuation of this funding in the next Plan and also duty concessions that were being given on import of machinery like harvesting machines.

17. The representatives of UPASI also pointed out the steep rise in production cost on account of hike in wages as well as escalation in cost of fuel, electricity, chemicals

and fertilizers. According to them, prior to 1990, the wage and tea price were the same, and however, today the wage has risen four times than the price of tea. It was argued that these factors have made it difficult to bear the social costs for plantation workers as envisaged under the Plantation Labour Act. It was brought to the notice of the Committee that an Inter-ministerial Committee of the Government had earlier considered and recommended sharing the social cost but it somehow did not make headway. It was submitted that proposal for sharing the expenses of social cost may be implemented, otherwise, the industry would suffer badly. They also flagged the problems being faced due to Free Trade Agreements (FTAs) that have resulted in non-level playing field in terms of cost, frequent absenteeism of workers because of NREGA scheme, rise in wages due to frequent tinkering with Minimum Wages Act by the State Governments, non-availability as well as high cost of fertilizers were also put forth as other factors inhibiting the overall development of tea sector.

18. After hearing the preliminary presentation of the witnesses, the following issues were raised by the Members of the Committee:-

- (i) the fall out of MNREGA Scheme on availability of labour in tea and coffee plantations;
- (ii) efficacy of the mechanism/scheme aimed at revival of old plants;
- (iii) efforts made to promote organic tea and coffee through new plantations and extent of mechanization achieved so far;
- (iv) policy of the Government regarding establishment of new plantations; and
- (v) the extent of consultations carried out by the Department of Commerce with stakeholders before signing Free Trade Agreements with a country.

19. The representatives of UPASI gave clarification on the queries raised above. They clarified that due to rising costs and lesser returns, most of the organic farms were returning back to traditional form. They wanted that the MNREGA schemes may be suspended in the areas of plantations.

20. The Chairman thanked the representatives of UPASI for their valuable information. He observed that the Secretariat would send them a detailed questionnaire on the subject for written reply thereto including the responses on the issues not answered orally to the Committee. The witnesses, then, withdrew.

21. A verbatim record of the proceedings was kept. The Committee adjourned at 1.20 p.m.

***XXIII
TWENTY THIRD MEETING**

The Department Related Parliamentary Standing Committee on Commerce met at 3.00 P.M. on Wednesday the 18th July, 2012 in Committee Room 'D', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

MEMBERS

1. Shri Shanta Kumar — *Chairman*

Rajya Sabha

2. Dr. E. M. Sudarsana Natchiappan
3. Shri K. N. Balagopal
4. Shri Ishwarlal Shankarlal Jain
5. Shri Prem Chand Gupta
6. Shri Y.S. Chowdary
7. Shri Rangasayee Ramakrishna
8. Shri Kiranmay Nanda
9. Prof. P.J. Kurien

LOK SABHA

10. Shri G.S. Basavaraj
11. Shri Kantilal Bhuria
12. Shri C.M. Chang
13. Shri K.P. Dhanapalan
14. Shri Anant Gangaram Geete
15. Shri Shivarama Gouda
16. Prof. Sk. Saidul Haque
17. Smt. Kaiser Jahan
18. Shri Dilip Singh Judev
19. Shri Nalin Kumar Kateel
20. Shri Dayanidhi Maran
21. Shri Vishnu Deo Sai
22. Shri M.I. Shanavas
23. Shri Jagdish Sharma
24. Shri Rajaiah Siricilla
25. Shri Dinubhai Boghabhai Solanki
26. Shri K. Sudhakaran
27. Shri Dharmendra Yadav
28. Shri Modugula Venu Gopala Reddy
29. Shri K. Jayaprakash Hegde

* Minutes of the 10th to 22nd meeting of the Committee relate to other matters.

SECRETARIAT

Shri J. Sundriyal, Director
Shri Amit Kumar, Assistant Director

WITNESSES

REPRESENTATIVES OF DEPARTMENT OF COMMERCE, MINISTRY OF COMMERCE AND INDUSTRY

Shri S.R. Rao, Commerce Secretary
Shri Madhusudan Prasad, Additional Secretary
Shri MGVK Bhanu, Chairman (Tea Board)
Shri Jawaid Akhtar, Chairman (Coffee Board)
Shri Sanoj Kumar Jha, Director
Shri G. Boriah, Director (Tea Board)
Shri A. K. Kala, Adviser (Tea Board)
Dr. Y. Raghuramulu, Joint Director (Coffee Board)
Shri G. B. Upadhyay, Under Secretary

2. Initiating the proceedings the Chairman welcomed the members to the meeting and informed them about the agenda of the day. He observed that the Committee has almost completed its deliberations on 'Performance of Plantation Sector - Tea and Coffee Industry' and that being the last interaction with the Secretary, Department of Commerce, the Committee would present its report on the subject in the ensuing Monsoon Session.
3. The Chairman then welcomed Shri S.R. Rao, Secretary, Department of Commerce and his colleagues from the Commerce Ministry, Tea Board and Coffee Board. The Chairman also felicitated Shri S.R. Rao on his taking over the charge as the Secretary, in the Department of Commerce.
4. The Chairman then observed that the Committee during its interactions with the stake-holders of tea and coffee sector come across a wide range of issues afflicting the overall growth of this sector. He conveyed the Committee's concerns over the quality of research and development activities in tea and coffee sector. He sought to know the extent of Department's preparedness to address the challenges posed due to climate change on the tea and coffee plantation region. He also flagged issues impeding the growth of tea and coffee sector and wanted the representatives to respond to them.
5. Shri S.R. Rao, Secretary, Department of Commerce thanked the Committee for giving him the opportunity to present views on the issues pertaining to the tea and coffee sector.
6. Thereafter, the Chairman, Tea Board made a power point presentation. He gave a snap-shot of the tea industry including the production of tea in India, export of tea,

contribution of small tea growers, problems of plantation labour, welfare schemes extended by the Board to facilitate the promotion and marketing of tea domestically and globally. He also shared the details regarding functions of Tea Board, sources of fund for Tea Board, impact and role of Tea Board on the tea industry etc.

7. On the issue of registration of small tea growers, he informed that the task of registration of small tea growers could not be taken up due to inability of Tea Board to grant post facto planting permission to the growers who planted tea without taking permission from the Tea Board in the light of certain provisions of the existing Tea Act. It was also brought to the notice of the Committee that the basis of these provisions was found in the obligation of India in terms of the International Tea Agreement (ITA) which got expired in the year 1956. It was further informed that in the absence of title deeds against the land on which these small growers cultivate tea, regularization of small growers could not be done.

8. The Chairman, Tea Board also informed the Committee of the efforts being made by the Board to safeguard the interests of the small tea growers. In its endeavour to complete enumeration of the small tea growers in the country, a survey in Assam was conducted by the State Government in 14 districts under Phase-I for which the entire expenditure was borne by Tea Board. It was reported that only 40% of growers are having land documents. The Govt. of Assam has been requested to carry out 2nd phase of the survey in the remaining 13 districts of the state and also to revisit the 14 districts surveyed earlier so that those growers who have been left out could also be enumerated. Besides Assam, financial support was also extended to the States of West Bengal, Tripura and Himachal Pradesh for conducting the work of survey. The survey in North Bengal has been completed and final report is awaited. Survey work in Tripura and Himachal Pradesh is under progress and expected to be completed by September, 2012. Directions to the Zonal Office of the Board at Coonoor have already been issued to conduct a special drive for survey of the small tea growers.

9. On the issue of Special Purpose Tea Fund Scheme, the officials of the Ministry conceded that the Scheme had not taken off in the manner that it should have due to the various reasons. As regards declaring tea as national drink, the Committee was given to understand that the matter is under consideration of the Ministry and the Ministry's view would be informed to the Committee.

10. After hearing the presentation of the officials, the following concerns/ issues were raised by the Members of the Committee:-

- i) Effectiveness of the efforts being made by the Tea Board for the registration of the small tea growers;

- ii) Reforms in the Tea Act;
- iii) Reasons for declaring or not declaring tea as national drink
- iv) Effects of MGNREGA Scheme on the plantation sector especially at the time of harvesting season;
- v) Redundancy of Section 12 and 14 of the Tea Act;
- vi) Issue pertaining to old aged tea bushes;
- vii) Preparedness of the Department to bring new area under tea and coffee plantation
- viii) Department's view on increasing the subsidy from the present level of 25% to an adequate level under the SPTF Scheme;
- ix) Reasons behind the decrease in export of tea;
- x) Difficulties being encountered on the issue of land conversion;
- xi) Viability of considering tea sector as an agro-based industry;
- xii) Action plan for the 12th Plan as regards mechanization and modernization of tea and coffee sector;
- xiii) Via-media to resolve the issue of social welfare cost;
- xiv) Incentivize the efforts to promote the self help groups and cooperatives;
- xv) Migration of labour from tea and coffee plantation sector to other sectors;
- xvi) Effectiveness of welfare schemes;
- xvii) Institutionalization of small tea growers;
- xviii) Future plan of Coffee Board to make marketing aspect of coffee effective;
- xix) Support for water augmentation;
- xx) Mechanization and modernization of farm operations as well as factory operations of tea and coffee industry; and
- xxi) Efforts being carried out by the CCRI in the direction of vermin fertilizers;

11. The officials of Department of Commerce gave clarifications on some of the issues raised. The Chairman, then, directed the representatives to send the replies to the queries remained unanswered along with the questionnaire to be sent by the Secretarial within fifteen days. The witnesses, then, withdrew.

12. A copy of the verbatim record of the proceedings was kept.

13. The Committee adjourned at 4.28 p.m.

**XXIV
TWENTY FOURTH MEETING**

The Department Related Parliamentary Standing Committee on Commerce met at 3.00 P.M. on Wednesday, the 1st August, 2012 in Room No. 'G074', Ground Floor, Parliament Library Building, New Delhi.

PRESENT

MEMBERS

1. Shri Shanta Kumar — *Chairman*

Rajya Sabha

2. Dr. E.M. Sudarsana Natchiappan
3. Shri K.N. Balagopal
4. Shri Prem Chand Gupta
5. Shri Rangasayee Ramakrishna
6. Shri Kiranmay Nanda

LOK SABHA

7. Shri G.S. Basavaraj
8. Shri Kantilal Bhuria
9. Shri C.M. Chang
10. Shri K.P. Dhanapalan
11. Shri Shivarama Gouda
12. Prof. Sk. Saidul Haque
13. Shri Dayanidhi Maran
14. Shri Jagdish Sharma
15. Shri Rajaiah Siricilla
16. Shri Dinubhai Boghabhia Solanki
17. Shri Modugula Venu Gopala Reddy
18. Shri K. Jayaprakash Hegde

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2. The Committee took up for consideration the draft Report on Performance of Plantation Sector-Tea and Coffee Industry. After discussion, the Committee adopted the Report with some minor modifications. Shri Rangasayee Ramakrishna, Shri K. Jayaprakash Hegde and Shri G.S. Basavaraj, members of the Committee expressed

their reservations on the recommendation pertaining to declaring tea as national drink in the Report.

3. The Committee, then decided to present the Report to Parliament on Thursday, the 9th August, 2012. It was decided that the Report will be presented in Rajya Sabha by the Chairman and in his absence Shri Kiranmay Nanda, M.P. In Lok Sabha, the Report would be simultaneously laid by Prof. Sk. Saidul Haque, M.P. and in his absence Shri Dayanidhi Maran, M.P.

4. The Committee then adjourned at 4.30 p.m.