

**Fourteenth Loksabha****Session : 6****Date : 12-12-2005****Participants :** [Aaron Rashid Shri J.M., Elangovan Shri E.V.K.S., Elangovan Shri E.V.K.S., Veerendra Kumar Shri M. P., Babu Rao Shri Mediyam](#)

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Title : M.P. Veerendra Kumar called the attention of the Minister of Commerce and Industry to the need for comprehensive package to help Coffee Sector in the country particularly the small growers in Kerala, Karnataka and Tamil Nadu.

SHRI M.P. VEERENDRA KUMAR (CALICUT): Sir, I call the attention of the Minister of Commerce and Industry to the following matter of urgent public importance and request that he may make a statement thereon:

“The need for a comprehensive package to help the Coffee sector in the country, particularly the small growers in Kerala, Karnataka and Tamil Nadu and the steps taken by the Government in this regard.”

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (SHRI E.V.K.S. ELANGO VAN): Hon. Speaker, Sir, Coffee in India is mainly grown in the southern States of Karnataka, Kerala and Tamil Nadu. In recent years, coffee producers the world over including India, had been affected by un-remunerative prices. The annual average price of coffee as indicated by the Indian Coffee Trade Association which was approximately Rs.130 per kg. for Arabica (Plantation ‘A’) and Rs.56 per kg. for Robusta (cherry AB) in 1997 came down to approximately Rs.57 per kg and Rs.28 per kg respectively in 2002. The situation was further aggravated in 2002-03 and 2003-04 due to drought conditions which also encouraged an outbreak of the white stem borer pest, adversely affecting production in many of the coffee-growing regions of south India. These conditions resulted in lower production of coffee and added to the difficulties faced by the growers in servicing their debt burden, which related mainly to loans taken when

the prices were at peak levels during the mid 1990s. Growers were not in a position to take up capital investments like replanting, in addition to regular estate operations.

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\*Also placed in the Library, See No. LT 3168/05

In 2002, a Special Coffee Term Loan (SCTL) was announced for the coffee sector, under which various types of loans including interest were consolidated into a single term loan, with a number of concessions, including a moratorium on the repayment of the principal amount for a three year period starting 2002-03. However, owing to the continuing problem of low returns, the coffee growers remained in financial difficulties and many of them were unable to service their debt, including the mounting interest burden.

In the above circumstances, in May 2005, the Government approved a package of relief measures which were primarily aimed at debt amelioration to bail out the coffee industry from its crisis. The relief measures approved envisage - (i) sharing the total interest burden on SCTL, estimated to be Rs.287.10 crores, for the three year moratorium period equally amongst the banks, the Government and the grower loanees to the extent of one-third each; (ii) requesting the banks to lower the interest rates charged on SCTL from the existing 11 per cent to nine per cent or the rate applicable to agriculture sector whichever is lower during the remaining repayment period of SCTL loans; (iii) writing off of coffee developmental loans along with interest amounting to around Rs.24 crore, due from the Coffee Board to the Government of India and waiving by the Coffee Board of the old developmental loans amounting to around Rs.64.59 crore extended by the Board to the small coffee growers (below 10 hectares) and (iv) continuing the interest subsidy scheme on working capital loans for small growers (below 10 hectares) at the rate of five per cent and large growers at the rate of three per cent for the remaining years of the Tenth Plan which would be reduced by one per cent in the case of those growers who received the benefit of the reduced interest burden on SCTL during the moratorium period.

I am happy to inform the House that the measures approved by the Government have been welcomed by the grower community. Besides, this year the international and

domestic prices of coffee have improved. The average ICTA price for the period January to October 2005 was approximately Rs.106 per kg for Arabica (Plantation A) and Rs.53 per kg for Robusta (cherry AB). It is expected that the "coffee package" would help revive the coffee sector and improve the financial condition of the growers.

SHRI M.P. VEERENDRA KUMAR : Hon. Speaker, Sir, the Minister in his statement has stated that prices of coffee have improved this year but the price quoted is erroneous. It is misleading. Here for Robusta, the average price of AB variety, that is the superior quality, but the bulk is not taken into account. Coffee industry is a small man's industry and 95 per cent of the growers do not have any infrastructural facilities for grading etc. Hence, the coffee is sold in bulk.

Now, what is happening is that the prices have plummeted to such an extent which has never happened in the last 100 years, especially as far as Robusta is concerned. I can quote the figures. For 1995-2003, from Rs.137 per kilogram, it has come down to Rs.17 per kilogram. This decline in Robusta is the lowest in 100 years in 2003-04. This is the real position of Robusta, and to say that the prices have improved is not true. There is only a slight fluctuation in the prices. The picking season of coffee has not started. The moment picking season starts, the price will go down.

Secondly, in his statement hon. Minister has stated about the package, the SCTL,, especially for 2005. SCTL has not benefited anybody. It is regarding the interest component. It is a three-tier system where one-third is apportioned to each tier. Grower has to pay. Grower is already under difficulty. Unless grower pays, it will not be operative at all. My information is that because of the hedging condition, this SCTL scheme is totally a failure.

He has talked about another package of Rs.24 crore about waiving of old development loan of the Coffee Board. In 1996-97, I was in the Ministry of Finance. During Shri V.P. Singh's time, Rs.10,000 crore farmers loans were waived off. .... (*Interruptions*) But the Coffee Board did not waive off the development loan.

MR. SPEAKER: There is so much noise inside the Chamber. If you want to discuss, you can go outside.

... (*Interruptions*)

SHRI M.P. VEERENDRA KUMAR : When I was the Minister, I waived off the penal interest of the Board's development loan. Prices were so high at that time that some of the farmers did not avail of the opportunity given to them. The package scheme SCTL announced now is of no help to the farmers.

I would just bring to the notice of the House the situation prevailing now. There are three traditional areas where coffee is grown. In Karnataka, the traditional area is 2,04,000 hectares; Kerala comes next with 85,000 hectares; and in Tamil Nadu, the area is 30,600 hectares. In the non-traditional area, Andhra has the coffee cultivation area of 18,000 hectares; Orissa has 2,034 hectares and in the North-Eastern Region, it is 14,000 hectares.... (*Interruptions*)

श्री लाल मुनी चौबे (बक्सर) : अध्यक्ष महोदय, ...(व्यवधान) इतना हल्ला हो रहा है, इतना बड़ा बवाल हुआ, लेकिन पता नहीं संसद में लोगों को क्या हो गया है, कोई हंगामा उठ ही नहीं रहा है। सभी यहां शांतिपूर्वक बैठे हुए हैं। संसद की गरिमा धूमिल हो गई है, इसे साफ किया जाना चाहिए। पता नहीं क्यों संसद सदस्य उत्तेजित नहीं हो रहे हैं?

अध्यक्ष महोदय : आपको भी गरिमा का पालन करना चाहिए, आप गरिमा के खिलाफ जा रहे हैं।

... (*Interruptions*)

MR. SPEAKER: I have already announced in the House. I have discussed it with all the hon. Leaders. You know about this. I have told you that I have already announced.

... (*Interruptions*)

श्री लाल मुनी चौबे : कालिंग अटेंशन नहीं होने देते थे, क्वेश्चन आवर नहीं होने देते थे। ...(व्यवधान)

MR. SPEAKER: It is a very sad day for everyone of us. Do not trivialize the issue.

... (*Interruptions*)

SHRI M.P. VEERENDRA KUMAR : I have just informed the House about the total coffee cultivation area. Now I come to the number of small growers... (*Interruptions*)

अध्यक्ष महोदय : यह ठीक नहीं है। This is an important matter. I have allowed the Calling Attention because of the importance of the subject.

... (*Interruptions*)

SHRI M.P. VEERENDRA KUMAR : In Karnataka, out of 56,000 growers, 54,000 are small growers. ... (*Interruptions*)

MR. SPEAKER: Hon. Members, it is very sad that I have to go on reminding you. When the matter is being discussed in the House, you are discussing and whispering among yourselves and disturbing the proceedings. It is very unfortunate. Some semblance of order should be there.

... (*Interruptions*)

SHRI M.P. VEERENDRA KUMAR : In Karnataka, out of 56,000 growers, 54,000 are small growers. In Kerala, out of 76,067 growers, 75,718 are small growers. In Tamil Nadu, out of 14,500 holdings, 14,000 are small holders. The total Indian production in 2004-05 is 2,75,500 metric tonnes. Out of this, in Karnataka, the total production is 1,98,600 metric tonnes out of which Robusta accounts for 52,975 metric tonnes and Arabica accounts for 1,325 metric tonnes. In Kerala, the total production is of the order of 54,300 metric tonnes out of which Robusta accounts for 52,975 metric tonnes and Arabica accounts for 1,325 metric tonnes. In Kerala, Wayanad district accounts for 45,775 metric tonnes, out of which 45,700 metric tonnes is of Robusta and 75 metric tonnes is of Arabica. In Idukki and Neliambathi, the total production is 6475 metric tonnes, out of which Robusta accounts for 5625 metric tonnes and Arabica 850 metric tonnes. I do not want to quote all the figures.

Small growers constitute 92 per cent of the total holdings accounting for 52 per cent area and contributing to 60 per cent of the production. Among small growers, 63 per cent grow Robusta whereas 37 per cent grow Arabica

In 2001-02, average productivity of small growers' in Robusta was 750 kg/hectare and in Arabica was 700 kg/hectare.



Sir, I want to bring to the notice of the House that though we account only...  
(Interruptions)

MR. SPEAKER: What is happening there, I do not understand? I will have to name some of you.

SHRI M.P. VEERENDRA KUMAR : Sir, though we have only four per cent in the global market, we hold the position in the market, because we produce the best quality of Robusta in the world and we produce the best Arabica in the world.

Now, we are losing the market. It is true that if the prices in the world fluctuate, the domestic prices also fluctuate. But traditionally, the coffee growing countries have given the fiscal assistance and other assistance to the growers. Whenever we talk of subsidies or packaged scheme, we say that there are WTO conditions.

MR. SPEAKER: Mr. Veerendra Kumar, the whole problem of coffee cannot be discussed today in a Calling Attention. You seek clarifications only. That is what the rules require.

SHRI M.P. VEERENDRA KUMAR : South American countries are in the WTO. When the prices crashed, Brazil who is a part of WTO, had written off the loans of farmers up to 12 years. Special loans with low interest rates were also given to them.

MR. SPEAKER: What are your clarifications?

SHRI M.P. VEERENDRA KUMAR : Sir, a special financial package up to 600 million US dollars was also given to farmers though Brazil is a part of WTO.

In Vietnam, the Central Bank of Vietnam ordered moratorium on loans for three years and interests amount has been waived off and many other incentives were given to the farmers in Vietnam.

In Columbia, debt relief package of 270 billion Pesos has been announced. In Mexico, 209 million US dollars has been allocated under the minimum support price scheme in 2001-02.

MR. SPEAKER: Many countries have done it.

SHRI M.P. VEERENDRA KUMAR : Sir, Government always say WTO, WTO, and that is why I say this.

Similarly, in El Salvador, private banks have announced special loans amounting to 35 million US dollars in the year 2001-02. There is an additional 10 million US dollar assistance were also given during the harvest season.

Not only that, Sir, they are increasing the domestic consumption whereas our domestic consumption is stagnating. If we just look at our domestic consumption of coffee, during 1991-1998, it was 55,000 tonnes. During 2000, it went up by 10, 000 tonnes to 60,000 tonnes. In 2001, it was 64,000 tonnes; in 2002, it was 68,000 tonnes; and in 2003, it was 70,000 tonnes.

But the Indian Government or the Coffee Board has done nothing to increase our domestic market.

I would like to highlight one more point here. There is an import of coffee from other countries... (*Interruptions*). During 2001-04, we have imported more than 8000 tonnes of coffee of various kinds.

MR. SPEAKER: Hon. Members, please do not go in between the Chair and the hon. Member speaking. You should learn all these things. It is not proper.

SHRI M.P. VEERENDRA KUMAR : Sir, we have brought a huge amount of foreign exchange. As regards our export earnings, during 2000-01, it was Rs. 1,374 crore; during 2001-02, it was Rs. 1,050 crore; during 2002-03, it was Rs. 1,051 crore; and during 2003-04, it was Rs. 1,158 crore.

MR. SPEAKER: Mr. Veerendra Kumar, I am sorry, this is not the way. You please ask the questions.

SHRI M.P. VEERENDRA KUMAR : Sir, this is our foreign exchange earnings.

MR. SPEAKER: You can ask only clarifications.

SHRI M.P. VEERENDRA KUMAR : I am asking clarifications.

MR. SPEAKER: Please do so; I have already given you 15 minutes.

SHRI M.P. VEERENDRA KUMAR : This is the position. Taking into account the whole scenario, the coffee industry is facing a very serious crisis in all the coffee growing areas. Therefore, I would like to know from the hon. Minister whether the Government would announce a special package and other fiscal measures to help the small holding coffee growers.

Secondly, a special package should also be announced in order to boost the investment in the coffee plantations. Input subsidies such as fertilisers and irrigation subsidies should be covered under the package.

Would the Government announce better infrastructural facilities and give better seeds and subsidy for fertilisers and loans on better terms for re-plantation?

I would also like to know whether the Government would take necessary steps to write off the loans taken by small growers below 10 acres.

Would the Government classify coffee as special product under the special safeguard measure provided for developing countries as per the WTO conditions? It should be negotiated in the Ministerial Conference in Hong Kong?

Sir, in the year 2004, the imports from other countries have gone to the level of 3000 tonnes<sup>[k3]</sup>. If it touches 10,000 tonnes, the domestic market for coffee will totally collapse.

The rate of suicide by farmers is very high. I do not want to repeat all these things. Finally, in this grave situation, will the Government take serious steps and study what all measures other coffee growing countries are taking for the farmers when prices fall down. Do they give some other package?... (*Interruptions*)

MR. SPEAKER: Please take your seat. There is a specific rule about the Calling Attention. You should look into those rules. We have become very liberal. Anybody, who raises hand, is allowed to put a question on Call Attention. In future it will not be done. I have all respect for her but I cannot allow this type of total violation of rule. In



future, only those Members, whose names will be there in the list, will be allowed to speak. Please take note of this. It is for the Members to remain alert and give notice in time. Today, I am allowing only two hon. Members who have given notices in writing.

Dr. Babu Rao, Please ask question, otherwise I will not allow it to be recorded.

DR. BABU RAO MEDIYAM (BHADRACHALAM): My pointed question is, what is the role of Coffee Board in fixing the rate as also procurement of coffee.

SHRI J.M. AARON RASHID (PERIYAKULAM): Sir, the rate of coffee has become very low. Small growers are the greatest sufferers. They are affected like anything. The coffee is sold at less than Rs.50. The package announced by the hon. Minister has not reached properly to the growers. The old development loans given earlier should be waived off and new loans be given for development as also to eradicate the pests. Fertiliser loan should also be given. Market should be strengthened. Coffee shops should be opened at every tourist spot.... (*Interruptions*)

MR. SPEAKER: These are suggestions for action.

SHRI J.M. AARON RASHID : More than 50,000 small growers are there in Tamil Nadu. Export subsidy should be given and import of coffee should be stopped. Will the Government take care of these things?... (*Interruptions*)

MR. SPEAKER: Now, the Minister.

SHRI E.V.K.S. ELANGO VAN : Hon. Member, Shri Veerendra Kumar has mentioned about the facilities given to the coffee growers in other countries. He also mentioned that the Government of India and the Coffee Board have not given any special packages for the coffee growers in India and even if some special package was announced it was not useful to the coffee growers. I may not agree with him, but I appreciate his sentiments. As he is interested in helping the coffee growers, in the same way the Government of India and the Coffee Board are interested in helping the coffee growers.

I would like to say a few words about the special schemes which have been announced for the benefit of coffee growers. I may also mention the number of

beneficiaries State-wise. The benefits extended to the coffees growers, including in Kerala, are: the interest subsidy scheme. The Board extended interest subsidy of five and three per cent to small and large growers respectively on working capital loans availed by the growers during 2001-02 to 2003-04. The year-wise details of subsidy disbursed and the overall number of beneficiaries, particularly in Kerala, is furnished hereunder.

In 2001-02, 70,399 people got the benefit of this Scheme. In Kerala alone, 44,027 beneficiaries were there. In 2002-03, in Kerala 46755 beneficiaries were there. Again in 2003-04, in Kerala alone 58,260 people were benefitted. Of course, I am not saying that with all this, the coffee growers will be fully benefitted but the Government is taking the steps and people are really benefiting from that.

As regards coffee package, in Kerala majority of the growers make use of Kisan Credit Card to avail of loans. Majority of them did not avail the Special Coffee Term Loan package that came into effect in April 2002. However, nearly 800 growers who availed the SCTL package amounting to Rs.5 crore will get the benefit of two-third interest waiver. In this regard, the Kerala growers are major beneficiaries. The Coffee Development loans along with the interest have been waived and this will benefit mainly Kerala growers. Out of total 11,850 beneficiaries, over 6880 are from Kerala and they will get the benefit of waiver of loan along with the interest amounting to about Rs.23 crore.

So, the Coffee Board and the Government of India have been extending special package programme to the coffee growers. If the hon. Member wants to give some more suggestion as to how we can solve the problem, the Government is prepared to consider them. I would also request him if he wants more details and more particulars about it, I am prepared to give it to him.

Then Mr. Babu Rao has asked as to what is the role of Coffee Board. The Coffee Board is encouraging R&D in this particular sector. It has been educating the farmers as to how they could have more export volumes, especially to countries like US and European countries where the market for coffee is good and where hundreds of coffee pubs are coming up every month. The Coffee Board have been instructing and giving them ideas how to export coffee to all these countries. It also keeps a watch on the

market. It makes all these arrangements so that the prices do not fall to the lowest. In fact, for the past one year, we have been seeing a rise in the coffee prices which has been benefiting both small and large coffee growers. I would also like to tell you that Coffee Board does not fix prices because it is decided by the market forces. The only thing is that the Coffee Board helps the growers to identify good markets both abroad and within the country. The Coffee Board is also trying -- through media and through documentary films -- to create a bigger domestic market. The Board is trying to see that the non-coffee users are more aware of the coffee. These are the jobs of the Coffee Board right now.

My friend, Shri Aaron Rashid has said that the special packages and loans are not given to the coffee growers. We have already announced a lot of schemes for the benefit of coffee growers. As regards Tamil Nadu, I am sure he wants to ask about his Constituency, Pariyakulam. I have got all the details and I would give it to the hon. Member.

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