

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1978-79)**

(SIXTH LOK SABHA)

THIRTY-FOURTH REPORT

ON

**PURCHASE OF TOBACCO BY THE STATE
TRADING CORPORATION OF INDIA LTD.**

**(Ministry of Commerce, Civil Supplies &
Cooperation—Department of Commerce)**

Presented in Lok Sabha on 17-4-1979

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(1978-79)

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report, on their behalf, present this Thirty-Fourth Report on Purchase of Tobacco by the State Trading Corporation of India Limited.

2. Tobacco is an important cash crop vital for the rural economy in different areas and is a valuable foreign exchange earner. Unfortunately so far the entire Indian tobacco business is dictated by buyers in the domestic and international markets and the monopoly houses, middlemen and the multinationals thrive on various malpractices to the detriment of the growers and the economic interest of the country. Until recently there has been no regulation of production, marketing and exports. The STC's entry into the tobacco trade has made little change in the deleterious situation prevailing in the country.

3. The STC has no infrastructure to purchase tobacco directly from the growers, exploitation of whom continues unabated. As much as a third of the total purchase of VFC tobacco is made by the India Tobacco Company (ITC)—a multinational and a fifth by another company together accounting for a half of the total purchase. In such a situation protection of growers' interest is almost an impossibility. The middlemen take advantage of uncontrolled production and enormous scope for manipulation in grading. The price obtained by the growers is a mere 17 per cent of what their counterparts got in Japan for similar tobacco. Compulsory grading at the growers level and statutory minimum price together with the introduction of auction system of sale and effective buying of surplus by a Government agency are a must to ensure adequate return to the growers. The Agricultural Prices Commission remained so long a silent spectator and abettor of exploitation of the growers. Only recently after the publication of the Committee's Report on Jute Pricing they have done some exercise on the minimum price to be paid to the tobacco growers, which is also perfunctory and the price recommended is inadequate.

4. The Tobacco Board as it is constituted today is weighted heavily in favour of the manufacturers and dealers, though the Board ought to primarily safeguard the interests of growers. It is therefore necessary to restructure the Board and free it from those who have financial interest in tobacco except of the genuine growers.

The Board itself should undertake support purchase operation without delegating it to the STC, which however should be the canalising agent for the export of tobacco.

5. This Report brings out unmistakably that the poor tobacco growers were systematically exploited and the nation was denied of its legitimate share of foreign exchange earnings solely on account of the nefarious activities of the monopolists and a multinational Company in the tobacco trade and industry, who also undoubtedly indulged in large scale manipulations and got richer and still richer in the process. The role of private tobacco trade and industry should therefore be thoroughly probed by a High-powered Commission with a comprehensive terms of reference which should in particular cover the operation of large companies in the field today.

6. The Committee considered and adopted this Report at their sitting held on 12th April, 1979.

NEW DELHI;
April 16, 1979.

JYOTIRMOY BOSU,
Chairman,
Committee on Public Undertakings.

I. INTRODUCTORY

India is one of the main producers and exporters of flue cured virginia Tobacco. Nearly a lakh growers mainly in Andhra Pradesh and Karnataka are depending on cultivation of tobacco for their livelihood and the value of annual exports of unmanufactured tobacco is of the order of Rs. 100 crores. Generally in advanced countries Tobacco is in the sellers market. Unfortunately it has not at all been the case for the Indian Tobacco both in the domestic and international markets and the entire business is by and large dictated by the buyers. Until quite recently virtually no step was taken to correct this situation either to protect the interest of the growers or to improve the export earnings. There has been regulation of neither production nor marketing nor exports. As a consequence a peculiar unhealthy buyer seller relationship had developed in the country which only benefited the monopoly houses the middlemen and foreign multinationals to the detriment of the growers and the economic interest of the country. It is in this context that the Committee thought it fit to examine the purchase and marketing of Tobacco by the STC on their account and on Government account. What has come out of their examination is depressing although the STC has been handling purchase of Tobacco since 1957. Its operations, fairly insignificant as they are, have made little change in the deleterious situation prevailing in the country.

II. S.T.C.'s TOBACCO OPERATIONS

One of the roles of the State Trading Corporation of India Limited has been price support operations of certain commodities. Tobacco has been one of those commodities. The objective envisaged by the Government of India for the State Trading Corporation of India Limited in the matter of purchase and export of tobacco may be briefly stated as follows:—

- (1) As a commercial undertaking in the Public Sector, STC should gradually increase its involvement in the purchase and export of tobacco and establish itself as a leading buyer and exporter of tobacco. In buying tobacco, efforts should be made by the Corporation to start buying direct from the growers as early as possible.
- (2) Any trading operations in tobacco that may be considered necessary on Government account in the interest of the tobacco growers, should be undertaken by STC when so directed by the Government, apart from its normal commercial role mentioned at (1) above. In other words, any purchases of tobacco to be made in the nature of a price support measure, are intended to be done through the agency of STC which will also be responsible for disposal of that tobacco either by sale within the country or through exports.

2.2. The marketing period for tobacco is generally limited to one month after harvesting. Thereafter, quality is said to deteriorate steeply. This inherent difficulty of the grower, who has no drying and storage facilities of his own, not to speak of financial inability, enables the traders to offer as low a price as possible. The material so purchased is redried and processed sifted gradewise and can be stored for considerable length of time.

2.3. The S.T.C. has been purchasing an exporting tobacco since 1957-58. The steep rise in the production of flue cured virginia tobacco the world over, coupled with bumper crop in India during 1964 resulted in a fall in prices. Despite record exports of Rs. 22 crores in that year, small growers were handicapped for want of resources and marketing outlets for their surplus stocks. The State Trading Corporation of India Limited then stepped in by purchasing part of the surplus stocks.

2.4. Again in 1972 production of flue cured virginia tobacco was unprecedented resulting in a sharp decline in prices which caused considerable hardships to the growers. Under directive from the Government, S.T.C. stepped into the market and purchased tobacco valued at Rs. 371 lakhs. Stocks were disposed of by sales in the domestic market and also by exports to countries like Bangla Desh, U.S.S.R. and U.K.

2.5. Again in 1977-78 there was a bumper crop in the country. S.T.C. was called upon by the Government to intervene in the market so as to come to the rescue of the grower by buying tobacco directly from the growers as far as possible. Against a target of 10,000 tonnes of S.T.C. could produce 6,250 tonnes upto October, 1978. The Committee have dealt with this purchase elaborately elsewhere in this Report.

A. Purchases during 1972

2.6. According to Audit in the wake of a bumper crop of tobacco in Andhra Pradesh, the then Ministry of Foreign Trade asked the State Trading Corporation of India Limited in February 1972 to enter tobacco market immediately to purchase to the extent of about 10,000 tonnes of low grade tobacco which was considered lying surplus with the growers. It was further intimated by the Ministry that the reimbursement of losses incurred by the Corporation would be sorted out by them with the Ministry of Finance.

2.7. The Corporation informed the Ministry on 26th February, 1972 that to start with it was commencing purchases of graded tobacco through packers who had redrying facilities in one or two centres in close consultation with the State authorities. On 1st March, 1972, the Corporation further informed the Ministry that the matter had been discussed with the State Government on the 27th February, 1972 and the following arrangements had been agreed upon:—

- (a) The Corporation would make use of experienced packers having facilities of buying platforms, grading, redrying and packing.
- (b) A Consultative Committee would be constituted by the District Collectors to assist the Corporation in its purchase operations.
- (c) Growers would be advised to send the marketable tobacco to the buying platforms in a properly regulated manner so as to avoid any rush.

2.8. In conformity with the above procedure, the Corporation entered into agreements with 87 packers for purchase of graded tobacco at the price determined with reference to the f.o.b. price, as calculated by the Tobacco Export Promotion Council, less f.o.b. charges and export duty, together with the following stipulations:—

- (a) The packers would purchase the tobacco of 1972 crop from the growers and report this fact to the Corporation by 5 P.M. on each day. They would also maintain proper records of the quantity purchased and amount paid to the growers.
- (b) The packers would get the tobacco so purchased redried, graded, packed and agmarked for delivery.
- (c) Free godown facilities for a maximum period of six months would be made available by the packers.
- (d) In the event of any complaint from the growers regarding non-receipt of payment, the matter was to be referred to the District Collector for arbitration.
- (e) 80 per cent of the price settled with the packers was payable on the submission of documents to title to goods, etc. and the balance 20 per cent was payable after all the claims regarding quality and shortages, etc. had been settled.

2.9. Although the price to be paid to the growers by the packers was not specified in the agreement with the packers, the price payable to the growers was fixed by the Corporation in consultation with the District Authorities. It has been stated (February, 1974) by the Corporation that the prices received by the growers from the packers were verified from the receipt issued by growers to the packers.

2.10. Between February, 1972 and July, 1972 the Corporation purchased a total quantity of 5,981 tonnes of redried tobacco valued at Rs. 3.68 crores.

2.11. In connection with the above relief operation, following observations were made by Audit:

- (i) As against the target of 10,000 tonnes of Katcha tobacco (equivalent to 8,000 tonnes of redried tobacco) intimated by the Ministry, the actual purchases were 5,981 tonnes only.*

* At the time of factual verification, the S.T.C. informed the committee as follows :—
 "As against the target of 10,000 tonnes of Katcha Tobacco 18,000 tonnes of agmarked tobacco) STC purchased 7476 tonne of Katcha tobacco which is equivalent to 5981 tonne of redried tobacco."

- (ii) Despite the enormity of the purchase operations and inherent problems of disposal of low grade tobacco, no effective programme for the disposal of the purchased stock had been drawn up by the Corporation. The disposal of the stock was initiated in September, 1972 and up to March, 1974, 5,708 tonnes had been sold as per details given below, leaving a balance of 273 tonnes valued at Rs. 18.56 lakhs in stock:—

Quantity exported	Period
600 tonnes	4-9-1972 to 20-6-1973
Local sales	
5,107 tonnes	16-11-1972 to 31-3-1973 24-7-1973 to 28-3-1974

2.12. There was no loss in the export sales. However, local sales entailed losses, representing the incidental charges like godown rent, insurance, other handling charges, etc.

2.13. There was also deterioration in the quality of stock. As a result, a quantity of 371.7 tonnes of tobacco was downgraded, resulting in a loss of Rs. 7.13 lakhs. to the S.T.C.

2.14. In this connection, the Management informed Audit (September, 1974) as follows:—

- (a) The Madras branch has been able to obtain a confirmed order for lifting the remaining quantity of 273 tonnes at the rate of Rs. 2.85 per kg.
- (b) In the deal, the Corporation incurred a total loss of Rs. 49.82 lakhs (trading loss Rs. 26.95 lakhs and other overheads and interest Rs. 22.87 lakhs). This loss included the loss envisaged on the sale of the remaining stock of 273 tonnes.

2.15. The Ministry intimated Audit (March, 1975) as follows:—

- (a) "The disposal of the tobacco so purchased was also equally important, but in a year of surplus production, this was naturally not an easy task and the rare fact that the disposal was spread over a period of time, did not

necessarily imply that any efforts were spared in accelerating the disposal."

- (b) "In an agricultural product like tobacco, storage over a long period of time, which became necessary in the absence of a suitable outlet, deterioration in quality was natural and no amount of precautions could have ruled out this possibility."
- (c) The prices payable to the packers and the prices payable to the growers were as follows:—

	Price payable to the packers	
	Paise per kg.	(Rs. per quintal)
Grade 3 R/L	810	(810·00)
Grade 4 R/L	735	(735·00)
Grade LBY/LG/R/L	525	(525·00)
Grade LBYZ/R/L	375	(375·00)
Grade LMG/R/L.	262	(262·00)
Purchase price payable to growers.		
Grade I— V Rs. 450 to Rs. 550 (non-irrigated) per quintal.		
Rs. 400 to Rs. 500 (irrigated) per quintal.		
Grade 2—V Rs. 280 to Rs. 450 (non-irrigated) per quintal.		
Rs. 280 to Rs. 400 (irrigated) per quintal.		

(As grades are not comparable it is difficult to determine whether the price paid to the growers was reasonable. However *prima facie* the price paid was considerably low).

2.16. The price payable to the packers was fixed on the basis of f.o.b. prices and not related to the prices paid to the growers and the remuneration to be paid to the packers for the services to be rendered by them.

2.17. In this connection, the Ministry informed Audit (March, 1975) as follows:—

"Since the packers at the time of purchasing ungraded tobacco (the growers only broadly sort out the tobacco which has to be regarded later on by the packers) from

the growers could not know of the precise composition of the percentages of different commercial acceptable grades, it was not feasible to relate the prices paid to the growers with the prices applicable to the graded tobacco. The prices paid to the growers were, however, considered as fairly reflecting the minimum export prices and these were fixed on the recommendations of the Collectors of Guntur and Ongole districts, keeping in view the interests of the growers."

2.18. In a note submitted to the Committee the S.T.C. assigned the following reasons for the shortfall in purchases as compared to the target:—

- (i) Very short duration within which purchases had to be made; and
- (ii) Lack of experience in practically operating the purchasing operations.

2.19. It has been further stated that since the S.T.C. was asked to enter the market without losing any time to help the growers, sufficient time was not available to organise storage facilities and disposals in advance. It had also no immediate selling arrangement at that time.

2.20. The S.T.C. suffered a trading loss of Rs. 26.95 lakhs on tobacco operations from 1971-72 to 1973-74 and other losses amounting to Rs. 22.87 lakhs on account of non-recovery of overheads (including interests) allocable to these transactions for the same period. The reasons for the losses are stated to be:

- (i) Storage for a long period leading to fading out of colour.
- (ii) interest on blocked capital.
- (iii) disposal at unremunerative prices.

2.21. The performance of the State Trading Corporation is regard to purchase and disposal of targetted 10,000 tonnes of surplus tobacco as decided by Government in 1972 in the wake of a bumper crop commented upon by the Comptroller & Auditor General of India reflects very badly on the ability of the Corporation to undertake such a responsibility. The actual purchase was only 7476 tonnes. The plea of lack of experience for the shortfall cannot be accepted by the Committee as the State Trading Corporation has been in this field since 1957. The purchase was made through selected packers and the price paid to them was not related to the price paid by them to

the growers. No effective programme for the prompt disposal of the tobacco was drawn up and there was deterioration of stock resulting in loss of Rs. 7.13 lakhs. The Corporation incurred a loss of Rs. 49.82 lakhs on the whole. It is no wonder therefore that no purchase was made by the STC thereafter until 1977 except undertaking some exports. The Committee would like to know specifically why the STC miserably failed all these years.

B. Purchases during 1978

(1) Commercial Purchases

2.22. In February, 1978 it was brought to the notice of this Committee by the Indian Tobacco Growers' Association (Regd.), Guntur that there was going to be a bumper crop of tobacco and that anticipating a surplus crop during the season the Tobacco Board at its meeting held on the 1st December, 1977 at Delhi, unanimously requested the Government to direct the S.T.C. to purchase 10,000 tonnes of virginia flue cured tobacco (VFC) directly from the growers, when they were in distress, created by vested interests.

2.23. The Committee on Public Undertakings discussed this issue with the General Secretary, Indian Tobacco Growers' Association, Guntur. The General Secretary, Indian Tobacco Growers' Association made out the following issues:—

- (i) Role of Government agencies like S.T.C. should be to help the growers to avoid exploitation by middlemen.
- (ii) The Tobacco Board at its meeting of 1st December, 1977 requested the S.T.C. to purchase 10,000 tonnes of virginia flue cured tobacco directly from the growers to mop up surplus and stimulate the prices. On that S.T.C. decided to purchase 5,000 tonnes of bright grades tobacco as first instalment directly from the growers and not from traders.
- (iii) S.T.C. did not enter the market till the 15th February, 1978 and did not make any purchases from the growers.
- (iv) S.T.C. distributed letters of intent in middle of February 1978 to about 40 traders and exporters for supply of 3,500 tonnes of virginia flue cured tobacco. Even the traders to whom S.T.C. gave letters of intent, did not enter the market till 28th February, 1978.
- (v) The traders who were selected had exhausted their bank limits and as such they could not buy the tobacco.

2.24. The Committee on Public Undertakings took up this question with the State Trading Corporation of India Ltd. and subsequently with the Ministry of Commerce, Civil Supplies and Co-operation (Department of Commerce). On the 28th February, 1978 the Committee were informed by the S.T.C. as follows:—

“It is proposed to purchase 5000 tonnes of flue cured virginia tobacco during 1978. Of this 1500 tonne are to be procured from the Cooperative Sector, 2525 tonne from the existing Associates and 975 MTs from the new Associates to be enrolled.”

2.25. Against total estimated crop of about 1,25,00 tonne, S.T.C. had programmed the purchase of 5000 tonne from selected areas at an appropriate time.

2.26. During the evidence of the representatives of the State Trading Corporation of India Ltd. on 3rd March, 1978, the Committee were informed that:—

“This 5 million kg. (5000 tonne) was purely a commercial projection which we are buying at our own risk. The additional quantity which has to be bought has to be bought at somebody's account. Government has not given us any directive in this regard.”

2.27. On the Committee pointing out that as a measure of socio-economic policy, S.T.C. should have come out of its own accord to help the tobacco growers in hour of distress, the representative of the S.T.C. stated as follows:—

“The Ministry was fully aware of it. But in our discussions with the Tobacco Board and the Ministry this point was very urgently considered, viz., that at that time, nobody was buying. So there was a distress situation. We asked the Ministry to issue a directive like that, i.e., to buy upto 5,000 to 10,000 tonnes and that Government will accept whether there is profit or loss. If the Government had wanted us to buy, with profit or loss, going to Government account, we would have been most happy to do it.”

2.28. The purchase of 5000 of tobacco during 1978 was to be made from about 44 middlemen which were selling tobacco to STC earlier as well from a few Growers Cooperatives/Syndicates *vide* list at Appendix I.

2.29. During evidence on the 13th September, 1978, the representative of the STC informed the Committee that till that day out of the target of 5000 tonnes of tobacco STC had purchased 4,425 tonnes. Out of this 2725 tonnes have been bought through selected organisations and 1700 tonnes through growers cooperative/syndicates. No break up of this purchase is available.

2.30. It was revealed during the evidence of the representatives of the STC on the 3rd March, 1978 that out of the 44 firms selected by the STC, 18 were themselves exporters. It was also admitted that earlier in one case one of such exporters Navbharat Enterprises Ltd. grew in size and became a competitor of STC.

2.31. In this connection the General Secretary of the Indian Tobacco Growers' Association deposed before the Committee in March 1978 as follows:—

“Last year, the STC after opening their Guntur office, entered into the market in a big way. In order to get bulk orders from the STC some of the companies floated new companies in the name of their relatives and those companies were given orders even when they were not having any experience.”

2.32. Asked whether the STC could detect existence of *benami* firms a representative of the STC stated—

“That is a malady in our country. This is existing in tobacco in a large measure”

2.33. Describing the situation in Tobacco trade in Andhra Pradesh another representative of the STC stated:—

“With the best of my knowledge I can say that there is large scale blackmailing in cottage industries in Andhra particularly in Guntur. They write against one another. This has become a regular practice there. Even honest people are blackmailed by some disgruntled elements. We have been functioning with great difficulty in this wretched atmosphere. For the last two years, our management is trying to widen our supply base. But the more we do, the more blackmailing is there.”

2.34. The Committee desired to know about a Growers Syndicate in Kaligiri with which STC had business. The representatives of the STC informed the Committee as follows:—

“They are from Kaligiri of Nellore Distt. Originally, the Tobacco Board recommended the growers syndicate. But when distribution was made, they registered themselves as a partnership firm to our surprise. Since we have made a commitment on the recommendation of the Tobacco Board, we had to give hundred tonnes to them.”

(ii) *Purchase of Tobacco on Government account*

2.35. The distress condition prevailing in Andhra Pradesh and Karnataka was a subject matter of a discussion on the floor of Lok Sabha on 15th March, 1978 through a Call Attention Motion.

2.36. On the 10th April, 1978 the Government issued the following directive to the State Trading Corporation of India Ltd. to purchase 10,000 tonnes of tobacco:

“It has been decided that STC should purchase 10,000 tonnes of Virginia tobacco on Government account. You may kindly take necessary action accordingly.

It may please be ensure that:—

- (1) the quantity to be bought should be restricted to 10,000 tonnes and the prices paid should be the ruling market prices;
- (2) in making these purchases, STC should have due regard to quality of the tobacco;
- (3) STC should strive to maximise purchases from growers and cooperatives of growers direct and minimise purchases through packers and traders.”

2.37. It has been stated that when the directive was issued to STC, the STC did publicise through mass media in all the villages of Andhra Pradesh that they should either form syndicates or supply the tobacco through cooperatives. The growers formed their own syndicates and the cooperatives which were not functioning were revived. The growers syndicate and the cooperatives jointly offered to STC tobacco and the payment for this was directly made to the growers.

2.38. On 22nd May, 1978, the STC made an allotment for 10,000 tonnes to all the growers' syndicate and cooperatives, although as per Government directive STC had to restrict to purchases from growers only. 2018 tonnes were allotted to 11 cooperatives of growers and the remaining 7982 tonnes to 266 Growers Syndicates. The so called growers syndicates are collection of men not all of whom are genuine growers.

2.39. Details of total purchases on Government account as against the target of 10,000 tonnes on different dates are as under:—

	(in tonnes)			
	13-9-78	30-9-78	8-10-78	20-10-78
Tobacco offered	4,250	5,688	6,456	
Tobacco inspected	3,470	4,933	6,188	
Tobacco accepted	2,700	4,263	5,383	6,250.0*
Tobacco rejected		670	805	

*Of this only 900 tonnes were purchased from Cooperative Societies.

2.40. The reasons for the slow off take are stated to be severe summer month, when the operations were totally closed in Guntur and other areas and this was followed by rains, which caused breaches in roads.

2.41. Regarding the methodology adopted by the STC for procurement of tobacco the Committee were informed during the evidence of the representatives of the STC as follows:—

"We have requisitioned the Agmark Officers from the Agmark Department to inspect the quality of the tobacco. We have pressed into service several inspectors to go to the villages and collect the tobacco from the growers' cooperatives or from growers' syndicates who are offering to us and we are sending the Accountants to each and every village to see that the cheques are issued to the growers immediately. I think we are fairly well organised in procurement now."

2.42. On an enquiry of the Committee as to how it was ensured that the cooperatives/syndicates were being formed by genuine growers, the representative of the STC stated as follows:—

"I think in all the cases who have made the applications, they all have been scrutinised by the Committee about the

authenticity of these growers whether they have been registered with the Tobacco Board and also whether they are in the Central register."

2.43. During evidence of the STC, the Committee pointed out that the STC quoted prices of processed tobacco only from those persons who had the machinery to process tobacco and not from the growers, who had no machinery to process it. To this, the representative of STC stated that:—

"The farmers pool their tobacco, get it graded, processed, packed and supply it to STC. For STC to buy loose leaves of tobacco from the farmers is not possible."

2.44 The Committee pointed out that in the existing scheme of things the element of growers participation was not cent-percent and that there must be traders behind the so called syndicates making a profit. A representation of the STC reacted saying that it was quite possible.

2.45. While discussing this issue with the representatives of the Ministry of Commerce, Civil Supplies & Cooperation (Department of Commerce), the Committee pointed out that though Government had asked the STC to buy 10,000 tonnes the STC had not only been wholly dependent on middlemen. The Commerce Secretary replied:—

"We concede that the contacts between the growers and the S.T.C. need to be considerably improved upon."

2.46. Asked as to how much of tobacco had been bought through genuine growers, the Chairman, Tobacco Board stated:—

"FROM THE PATTERN OF THE PROCEDURE LAID DOWN BY STC, THERE WAS THE CLEAR OBJECTIVE TO GET IT FROM THE GROWERS; BUT IN REALITY WHAT HAS HAPPENED IS THAT THE GROWERS' SYNDICATES, ASSOCIATIONS OR GROUPS ARE ALL HEADED BY AN INDIVIDUAL WHO IS THEIR POWER OF ATTORNEY—OR WHATEVER HE IS CALLED. THERE HAVE BEEN A FEW CASES WHICH HAVE COME TO OUR NOTICE WHERE SUCH PEOPLE HAVE BEEN, NOT GENUINE GROWERS AS YOU PUT IT, BUT PEOPLE WHO HAD AN AXE TO GRIND IN TRADING. THESE PEOPLE HAVE ORGANIZED THESE SYNDICATES; AND ULTIMATELY THEY HAVE TRIED TO SELL TOBACCO TO THE STC. ABOUT THE ACTUAL QUANTITY RECEIVED FROM GENUINE

AND NON-GENUINE GROWERS, IT IS VERY DIFFICULT FOR ME TO GIVE INFORMATION, AS IT IS DIFFICULT TO SECURE INFORMATION, AND IT IS VERY DIFFICULT TO DISTINGUISH BETWEEN GENUINE GROWERS AND OTHERS."

2.47. HE ADDED THAT STC HAD COME TO THE CONCLUSION THAT DIRECT PURCHASE FROM GROWERS WAS NOT POSSIBLE BECAUSE THEY DO NOT HAVE THE INFRASTRUCTURE. THEY WOULD NOT BE ABLE TO TAKE THE FARM-GRADE TOBACCO ON THE PLATFORM LIKE A PRIVATE TRADER. A REPRESENTATIVE ALSO CONFIRMED THAT THEY DID NOT HAVE THE INFRASTRUCTURE TO BUY FROM GROWERS IF GRADE D TOBACCO IS NOT OFFERED.

2.48. The Commerce Secretary stated as follows:—

"I want to just clarify one matter. When we told the STC on the 10th of April, that they should try to maximise purchases from the growers and minimise purchases from the traders, it is not, of course, intended to say that the STC's contracts with the growers should not have been better. But the Government have taken a decision during the last few days that to the extent that there is a shortfall in the quantum of 10,000 tonnes of the target originally fixed in regard to growers' offerings the balance could be purchased from small packers and traders, who have earlier gone to the rescue of the growers and who are not exporters."

2.49. Asked about the disposal of the tobacco purchased on government account by the STC and the price obtained the Ministry of Commerce stated in a note dated 17th November, 1978 as follows:—

"STC has already started negotiations with possible overseas customers. It will, however, take some time before the result of such efforts is known. It is proposed to send trade delegations to West European countries and Bangladesh shortly.

In the events of STC succeeding in finding an export outlet for this tobacco, the tobacco will be sold at not less than the minimum export prices in force at the time of conclusion of the contract."

250. According to a statement of purchases made by private firms during 1977 submitted to the Committee, the India Tobacco Company Ltd. and the Golden Tobacco Company also account for 30,552 tonnes and 7830 tonnes out of the total purchases of 108,367 tonnes. The statement is reproduced at Appendix II. The details of purchase by companies in excess of 1000 tonnes each are indicated below:—

Name of the Company	Purchase in tonnes
1. India Tobacco Company Ltd.	30,552
2. National Tobacco Co.	2,930
3. Southern Leaf Tobacco Co.	2,066
4. Bomirdala Brothers Ltd.	3,474
5. Polisetty Somasundarama Ltd.	3,221
6. Sundaram Tobaccos	3,137
7. Golden Tobacco Co.	7,830
8. Navbharat Enterprises Ltd.	7,300
9. Maddi Lakshmaiah & Co.	6,500
10. East India Tobacco Co.	4,900
11. Maddi Satyanarayana & Co.	2,740
12. Maddi Venkataraman & Co.	4,287
13. Eitcorp Pvt. Ltd.	2,411
14. Sri Anjaneya Tobacco Co.	3,658
15. Agrimoor Pvt. Ltd.	2,176
16. Mittapalli Adinarayana & Co.	1,051
17. Anjaneya Tobacco Co.	2,634
18. Gudure Kotiah & Co.	1,826
19. Sri Venkateswara Leaf Tobacco	1,150
20. Kandimalla Raghavaiah & Co.	1,248
21. Suleman Khan & Mahboob Khan Tobacco Ltd.	2,500

251. During evidence the Committee were informed by the Chairman, Tobacco Board that during 1978 the level of purchase of India Tobacco Company Ltd. remained the same and that of the Golden Tobacco Company up to 21,000 tonnes.

2.52. According to the Agricultural Prices Commission, the India Tobacco market is reported to be dominated by some 20 companies transacting more than 85 per cent of the trade. In the absence of requisite institutional set up regulating the marketing of the produce the unorganised growers are subject to such disadvantages as arbitrary fixation of prices without reference to quality, unauthorised deductions, heavy market charges and deferred payments.

2.53. Explaining the inhibiting factor in regard to setting up the purchase operation of STC for exports, a representative of the STC told the Committee that—

“Hitherto STC never had an opportunity of getting any export order from these quality conscious markets because of the terrific competition from the international cartels. STC has got great difficulty in entering the export market because of the strong relations between the foreign buyers and the domestic monopolies.”

2.54. The Committee pointed out that the STC ought to be in a position of strength to dictate to the foreign buyers. The Chairman, STC clarified:

“What you have said is a very material point. You are aware, more than we do, that even in the most democratic countries like the USA, France Italy and Japan, the tobacco business is done on a monopoly basis; it is a State monopoly. But in our country the buyers are free to approach anybody, and the STC or any State Undertaking or Government is not in a position to tell them that they will have to buy from one body.”

2.55. The Committee desired to know about the endeavour of the STC to explore new export markets. A representative of the STC informed the Committee that—

“STC has taken up this special exercise, particularly in Africa, China and other countries. We are negotiating with some countries now; we are making a study of it.”

2.56. About the attempt to enter the Chinese market, a note furnished by the Ministry of Commerce is reproduced below:—

"In STC's endeavour to enter the Chinese market for the export of our tobacco, a beginning was made when a meeting was arranged with the Chinese Ambassador on the 11th May, 1978. This was followed by Chinese Commercial Counsellor, Mr. Chen's visit to STC on 25th May, when he informed that China would be interested in importing some quantities of tobacco from India provided we reciprocate by importing raw silk from China.

The Secretary, Central Silk Board was informed on 29th May about the above developments and requested to let us know the possibilities of our importing raw silk from China. So far, there has not been any response from them. Tobacco samples were sent to China on 15th June, 1978.

Mr. Chen again called on STC on 11th July, 1978 and desired samples of grade 1 and 2. At that time they indicated their intention to buy some quantities of medium grades also. As desired, another offer was given to the Chinese Embassy on 21st July, 1978. Thereafter Mr. Chen could not be contacted due to his pre-occupations.

Recently a delegation from China visited Guntur and stayed at the guest house of a private exporter. They held discussion with many private parties. After the delegations' visit, Mr. Chen was contacted again in the Embassy to enquire about the latest developments. Mr. Chen was non-committal insofar as 1978 crop tobacco is concerned.

While STC offer is pending, a private exporter from Andhra Pradesh is understood to have sold 2200 tonnes of tobacco of various grades to the Chinese for 4.2 million (U.S.) dollar to be delivered by January, 1979."

2.57. There are two major problems which lead to mal practices in tobacco trade. The first one is uncontrolled production and the second one is quality. A note furnished by the STC at the instance of the Committee is reproduced below:—

"Considering that there was, until very recently, practically no control on cultivation of FCV tobacco and this uncontrolled cultivation created conditions leading to mar-

keting of tobacco in "buyers market." The Tobacco Board is fully aware of this situation and has taken steps to control cultivation with a view to make production correspond to demand with an ultimate objective of creating conditions of "sellers market" for better price realisation. Once these steps are fully and successfully implemented the frequently created problem of over-production will no longer be there.

The other factor which creates opportunities for malpractices is the system of evaluating the quality.

* * * * *

"So far as export marketing is concerned, it is felt that tobacco Board should evolve standard samples for each grade and no exporter should be allowed to prepare his own samples. This alone would ensure that no high grade tobacco is exported as low grade one."

2.58. The situation in 1978 very much warranted effective action on the part of a Government buying agency to come to the rescue of the tobacco growers. However, it was only after the matter was raised in Lok Sabha in March 1978 by which time the Committee also had started their examination of the tobacco operation of the State Trading Corporation, that the Government felt compelled to move the Corporation to organise itself to handle support purchase of 10,000 tonnes of tobacco in addition to 5,000 tonnes on commercial basis. A quantity of only 6250 tonnes was purchased on Government account by October 1978 and even this limited quantity was not purchased directly from the growers in kutchra farm grades, which was against the spirit of the Government's directive. A quantity of 2018 tonnes was to be purchased from 11 Cooperatives of Growers and the remaining 7982 tonnes from 266 Growers Syndicates. The necessity for purchasing from packers had also been felt. No export market had been located even by the close of 1978 for the disposal of this quantity. Thus the performance of the STC during the year 1978 was even far worse than what it was in 1972. The Committee would await a report on the total quantity actually purchased and disposed of and the impact as well as the economics of the operation...

2.59. The commercial purchase of 5,000 tonnes was to be from 44 Associate firms and some growers, cooperatives/syndicates. The term Associates amounts to needless lending of prestige by STC for what consideration the Committee are unable to understand. 18 of

the so called Associate firms patronised by the STC were themselves exporters whom the STC was helping to find additional market abroad with the result one of them namely Nav Bharat Enterprises Ltd. has grown big enough to have entirely direct dealings with the exporters. The General Secretary of the Indian Tobacco Growers Association told the Committee that when the STC entered the market in a big way the existing concerns floated new ones in the name of their relatives and the latter were given business by the STC. According to a representative of the STC the malady of benami firms was there in tobacco trade in a large measure. The extent to which manipulation could be made taking advantage of the lacuna in the STC's operation could be seen from the fact that one of the so called growers syndicates turned out to be no more than a partnership firm of few large scale tenant growers. According to the Chairman, Tobacco Board, there are cases that came to his notice where the grower's organisations were headed by men who not being genuine growers, had an axe to grind in trading. Such people undoubtedly derived substantial benefit through dubious means from the STC's buying.

2.60. It is obvious that in the existing scheme of things the benefit of even the STC's support purchase operation does not accrue to the growers while the traders acting under the cover of the syndicates make profit. A representative of the STC agreed with this inference. The Commerce Secretary also readily conceded in his evidence that the contacts between the growers and the STC needed to be considerably improved upon. The Chairman, Tobacco Board, made it clear that the STC would not be able to take farm grade tobacco on the platform like a private trader. A representative of the STC also further confirmed this and told the Committee that the STC did not have the infrastructure to buy from growers if graded tobacco is not offered individually by them. All this at once indicates the serious weakness of the Government buying agency as well as the strength of the private monopolists. It is therefore not surprising that a third of the total purchase of Virginia flue cured tobacco is made by a single firm viz., India Tobacco Company Ltd. a multinational Company, which enjoys a big monopoly over tobacco trading, export and tobacco based industry, which is highly undesirable and should be curbed forthwith. In such a situation as prevails now protection of growers' interest is almost an impossibility. Government should therefore lose no time in taking steps to eliminate middlemen and monopolists thriving on the inadequacies of the Government Buying Agency

2.61. The Committee were informed during evidence that the STC had great difficulty in entering the export market because of the strong relations between the foreign buyers and the domestic monopolies as well as the multinational Company who take advantage of uncontrolled production and enormous scope for manipulation in grading. There being no state monopoly in tobacco business this situation is bound to prevail. Recently there was a possibility of STC entering the Chinese market but a private exporter got the better of the Corporation and obtained an export order directly from China for 2200 tonnes valued at 4.2 million U.S. dollars. It is distressing that the STC remained unconcerned when it held enormous stock without being able to locate export market. The Committee apprehend that by this behaviour the Government buying agency runs the risk of being discredited which will act as a damper for future entry into the export market. Government must therefore take a serious note of this.

2.62. The Committee gather an impression that the local pressures and pulls in tobacco trade in Andhra Pradesh and elsewhere are such that a government regulatory and marketing agency would be greatly handicapped, if executives are unduly familiar with local traders and are susceptible to their pernicious influence. Realising the imperative need to ensure a detached and impartial functioning of the agency for effectively safeguarding the interest of the genuine growers as well as the larger economic interest of the country the Committee are constrained to suggest that such executives either in the STC or in the Tobacco Board should not be entrusted with such a responsibility or posted to such a place as would run counter to these objectives.

III. TOBACCO BOARD

The Tobacco Board was established by the Central Government on the 1st January, 1976 in pursuance of Sub-Section (1) of Section 4 of the Tobacco Board Act, 1975.

3.2. The following functions of the Tobacco Board are defined in Section 8 of the Act:—

- “(1) It shall be the duty of the Board to promote, by such measures as it thinks fit, the development under the control of the Central Government of the tobacco industry.
- (2) without prejudice to the generality of the provisions of sub-section (1), the measures referred to therein may provide for:—
 - (a) regulating the production and curing of virginia tobacco having regard to the demand therefor in India and abroad;
 - (b) keeping a constant watch on the virginia tobacco market both in India and abroad, and ensuring that the growers get a fair and remunerative price for the same and that there are no wide fluctuations in the prices of the commodity;
 - (c) maintenance and improvement of existing markets and development of new markets outside India for Indian virginia tobacco and its products and devising of marketing strategy in consonance with demand for the commodity outside India, including group marketing under limited brand names; (additions made by the Amending Act here).
 - (d) recommending to Central Government the minimum prices which may be fixed for purposes of export of virginia tobacco with a view to avoiding unhealthy competition amongst the exporters;
 - (e) regulating in other respects virginia tobacco marketing in India and export of virginia tobacco having due regard to the interests of growers, manufacturers and dealers and the nation;

- (f) propagating information useful to the growers, dealers and exporters (including packers) of virginia tobacco and manufacturers of virginia tobacco products and others concerned with virginia tobacco and products thereof;
- (g) purchasing virginia tobacco from growers when the same is considered necessary or expedient for protecting the interests of the growers and disposal of the same in India or abroad as and when considered appropriate;
- (h) promoting the grading of tobacco at the level of growers;
- (i) sponsoring, assisting, co-ordinating or encouraging scientific, technological and economic research for the promotion of tobacco industry;
- (j) Such other matters as may be prescribed.

(3) Without prejudice to the generality of the provisions of Sub-Section (1) and subject to priority being given to matters specified in sub-section (2), the measures referred to in sub-section (1) may also provide in relation to tobacco, other than virginia tobacco, for all or any of the matters specified in clause (c) to (g) of sub-section (2) and for this purpose any reference in those clauses to virginia tobacco shall be construed as including a reference to tobacco other than virginia tobacco.

(4) The Board shall perform its functions under this section in accordance with and subject to such rules as may be made by the Central Government and such rules may in particular make provisions for ensuring that the Board functions in close liaison with Union agencies, institutions and authorities concerned with the tobacco industry (including growing of tobacco) and avoid duplication of effort."

3.3. The composition of the Board [Section 4(4)] is as followings:

- "(a) a chairman to be appointed by the Central Government;
- (b) three members of parliament, of whom two shall be elected by the House of the people and one by the Council of States;
- (c) eight members to be appointed by the Central Government to represent respectively:—
 - (i) the Ministry of the Central Government dealing with Agriculture;

- (ii) the Ministry of the Central Government dealing with Commerce;
 - (iii) the Ministry of the Central Government dealing with Finance;
 - (iv) the Ministry of Central Government dealing with Industrial Development;
 - (v) the Indian Council of Agricultural Research;
 - (vi) the Government of Andhra Pradesh;
 - (vii) *the Government of Gujarat; and
 - (viii) the Government of Karnataka
- (d) two Members to be appointed by the Central Government by rotation in the alphabetical order, to represent the Governments of tobacco-growing States other than the States of Andhra Pradesh, Gujarat* and Karnataka;
- (e) not more than eight members to be appointed by the Central Government from amongst growers of tobacco, dealers and exporters (including packers) of tobacco and tobacco products, manufacturers of tobacco products and from amongst persons who, in the opinion of the Central Government, are experts in tobacco marketing or agricultural economics."

3.4. Sections 10, 11 and 12 require registration with the Tobacco Board of the growers, curers, exporters, packers, auctioneers and dealers of virginia tobacco. The Act also stipulates that no registered grower or curer shall sell or cause to be sold virginia tobacco elsewhere than at an auction platform registered with the Board in accordance with the rules made under the Act.

3.5. During the course of the functioning of the Tobacco Board, certain practical difficulties came to light and these were corrected through the Tobacco Board (Amendment), Act, 1978, (which recently got assent of the President).

3.6. In exercise of the powers conferred by Section 32 of the Tobacco Board Act, 1975, the Central Government made the Tobacco Board Rules, 1976.

3.7. Rule 32 of the Tobacco Board rules dealing with the purchase of virginia tobacco states as follows:—

"Purchase of Virginia Tobacco:—

- (1) The Board may, and if so, directed by the Central Government shall, purchase virginia tobacco from the growers of such tobacco in India when the Board or as the case may be, the Central Government is satisfied that such a step is necessary or expedient to protect the interests of the growers.
- (2) The Tobacco so purchased by the Board shall be disposed of by it in India or abroad as and when considered appropriate, and in such manner as the Board may think fit or as may be directed by the Central Government.
- (3) The Board shall make maximum possible utilisation of the agency of the State Trading Corporation of India Ltd. in exporting the virginia tobacco purchased by the Board.
- (4) The Board shall keep the Central Government fully informed of the tobacco purchase operations that may be undertaken by it and shall comply with such instructions, guidelines or restrictions etc. that may be issued or imposed by the Central Government in regard to such purchases and also the sales, including exporters, to be made out of the stocks so purchased by the Board.
- (5) The prices at which virginia tobacco shall be purchased or sold by the Board shall be such as considered appropriate by it subject to such guidelines, if any, which the Central Government may lay down specifically for the purpose from time to time through directions to the Board."

3.8. In a note furnished by the S.T.C. it was stated as follows:—

"Subsequently the position was reviewed in a meeting held on 2-3-1977 under the Chairmanship of Shri Bose Mullick, the then Secretary, Ministry of Commerce. The relevant extracts from the minutes of the meeting are reproduced below:—

"DS(JS) stated that under the provisions of the Tobacco Board Act and the rules framed thereunder, Tobacco

Board could purchase virginia tobacco when that was considered necessary by the Central Government and the Board was to make maximum possible utilisation of STC in exporting tobacco.

Commerce Secretary indicated that the STC could be the appropriate body for trading in tobacco on Government account. It was, therefore, decided that buyer operations would be done only by the STC as a commercial organisation and that they would also make purchases if need be as a price support measure. It was also decided that the STC would take necessary steps for setting up infrastructure to buy tobacco directly from growers with effect from next year. On a suggestion made by DS(JS) it was agreed that STC would examine that question of setting up auction platform also."

3.9. During evidence the Committee sought a clarification regarding the legal position of the support purchase operation by the Tobacco Board from its chairman who stated:

"The philosophy under the Tobacco Board Act of 1975 contained in the provision you just now read out as well as Rule 32 of the Tobacco Board Rules, both enjoin on the Tobacco Board that if they consider it expedient they can enter the market and purchase the tobacco from the growers and under the pattern of the Tobacco Board Rules, the tobacco so purchased could be exported or an outlet found by enlisting the services of STC. As per the pattern, as I understand and the philosophy under the rules, the purchase has to be done by the Board either at its own instance or at the instance of the Government and after purchase is completed, when it wants to export, the Board is called upon to enlist the services of the STC. So a distinction is made between the purchase aspect and the export aspect.

In regard to your point whether the Tobacco Board would have done a better job of it, I will answer it in a straight manner. On the point whether they can do a better job I can say this much that we have no doubt a rapport with the growers who number 70,000 and odd. When distress conditions are identified, we go to their help. Field assistants and branch managers report to us where dis-

stress conditions prevail and necessary action is taken. If you compare STC with Tobacco Board I can say, STC deals with a number of commodities and tobacco is just one of them whereas the Tobacco Board is exclusively for Tobacco. Our responsibility or our ethos, for tobacco is much more stronger than STC. It was our proposal to the Government that we should intervene and purchase tobacco to relieve the distress on the part of the growers. At that time it was felt by the Government that the Tobacco Board is yet to build up its organisation in the field level and STC, in view of its performance of 14 years, could take up this tobacco purchase. This is also a point which I brought to the notice of Tobacco Board at its meeting when you were also present.

The Commerce Secretary deposed:—

“The Board’s purchase decision will have to be implemented through the STC. That is all what the Government’s view is. After all, the Board’s purchase decision is really in the nature of a price supports i.e. when prices fall below a particular level they will have to step in and procure. It is conceded completely. But instead of having another corporation which will only buy tobacco, and result in our having endless disputes between it and the STC, the same agency could do both the functions. Otherwise there is no difference of opinion that the decision of the Board will have to be accepted.”

3.10. In regard to the composition of the Tobacco Board, the Committee expressed an apprehension that there were people with vested interest and it was not possible to discuss matters freely and frankly particularly with regard to safeguarding the interests of the growers. The Commerce Secretary stated:

“The Act provides that all these interests should be represented. That is why they must have been put there.

I don’t think that the Tobacco Board, in its deliberations or recommendations, is wanting in support to growers. The Board, in its present composition, is still effective.

* * * * *

A distinction has to be drawn between having the composition in the manner which does not inhibit the Tobacco Board’s primary purpose and at the same time not excluding from it the counsel or views of other.....”

3.11. The Committee were informed by the Department of commerce in a note that the Tobacco Board has been advised recently to coopt a representative of STC on its marketing committee. Later on it is also proposed to advise the Board to take a representative of the STC on the Board as well, as an Associate Member. In the event of any need for a coordinated action being taken by the Board and the STC, the officers of the two organisations will have to come together at an appropriate level for bringing about the required coordination.

3.12. On another enquiry of the Committee, it was stated by the Chairman, Tobacco Board during the evidence of the representatives of the Department of Commerce that registration of manufacturer was not included in the Tobacco Board Act. He however, was in agreement with the Committee that the registration of manufacturers was necessary.

3.13. A long felt need to have a separate Statutory Commodity Board for tobacco basically to protect the interests of the growers was fulfilled only in 1976 with the setting up of the Tobacco Board. The Board as it is constituted today is weighted heavily in favour of the manufacturers and dealers. This ought to be ended forthwith ensuring a dominant voice for the growers. Though manufacturers are represented on the Board surprisingly they are not brought within the discipline of any regulatory mechanism of the Board. In the absence of a minimum support price based on true cost plus a reasonable return and an effective purchase of the surplus they are fleecing the growers. Therefore there ought to be registration of the manufacturers also to regulate and control their activities by the Tobacco Board.

3.14. The Tobacco Board has been constituted primarily to safeguard the interests of growers. Taking on the Board members having diverse interest in Tobacco business would result in the Board working at cross purposes and it is bound to fail in discharging its primary responsibility. It is therefore necessary to restructure the Board so as to function as effectively as the Coffee Board and free it from those who have financial interest in tobacco except that of genuine growers. The Committee accordingly recommend that the Board should have six Members of Parliament—four from Lok Sabha and two from Rajya Sabha, four genuine representatives of growers, one representative of agricultural tobacco growing labour and another labour representative in non-agricultural tobacco operations, besides official Members. This would mean election of three more

Members of Parliament—two from Lok Sabha and one from Rajya Sabha for associating with the Board in addition to such further number of officials|growers' and labour representatives as may be required. The size of the Board should not be unwieldy as it is now. The Board should be headed by a non-official, preferably a Member of Parliament. An advisory Committee should however be constituted with representations to various interests, such as growers, consumers and others connected with Tobacco trade and industry and this Committee could meet at least twice a year.

3.15. At present the Tobacco Board is mainly concentrating on the virginia flue cured tobacco. As the growers of other varieties of tobacco are also in serious distress due to non-marketability of their product the Board should cover all varieties of tobacco. They should open full-fledged Branch Offices in all tobacco growing areas.

3.16. In terms of Section 8(2)(g) of the Tobacco Board Act, 1975 the Parliament's intention was to vest the Board with the responsibility of undertaking support purchase operation. This cannot be delegated to the State Trading Corporation under an executive fiat as has been done recently. This executive order seriously offends against the Act of Parliament which amounts to scant regard bordering on contempt. The Committee, therefore, strongly feel especially in view of the half hearted, wayward and poor performance of the STC that the Tobacco Board should undertake purchase though it is advisable to associate STC's export agency with it in order to ensure marketability of tobacco abroad. In this connection it is also worthwhile to nominate a representative of the STC on the Tobacco Board.

IV. MEASURES TO PROTECT THE GROWERS

The State Trading Corporation of India Ltd. has a Group Executive heading the Tobacco Division at the headquarters in New Delhi and a full fledged Branch Office at Guntur, headed by a Branch Manager. The Branch Manager is assisted by a tobacco specialist and adequate number of supporting staff.

4.1. S.T.C. made a modest beginning last year by deciding to buy 5000 tonnes of Agmarked tobacco on its own account and risk.

4.2. It has been stated that as the tobacco is being marketed at present by the farmers as per Kutchha grades it was not considered advisable for the STC to buy kutchha graded tobacco.

4.3. For the actual purchase operations of tobacco the S.T.C. does not have its own processing arrangements, shredding, farm grading system, drying facilities, packing arrangements or auction platforms. In the tobacco growing area of Guntur, over a stretch of 150 kms. S.T.C. has only 11 godowns. In year 1977-78 S.T.C. was able to open only 11 buying centres.

4.4. In regard to acquiring warehouses on hire, the Committee were informed that there was acute shortage of godowns in Guntur-area and the private godown owners were charging exorbitant rents. The STC was trying to get the Central Warehousing Corporation's godowns. Till 13th September, 1978, the STC had managed to hire a space of 1.97 lakhs sq. ft. with a capacity of about 6000 to 7000 tonnes.

4.5. During the evidence, the Committee enquired from the representatives of the STC as to why STC should suffer from lack of warehousing facilities. A representative of the STC deposed as follows:—

“The point is at this point of time we do not have the strength of the traders. We have over 3-4 years developed certain buyers who come and buy tobacco from us. Today we are slightly in a better position than what we were last year, but to go in for a huge infrastructure investment, I am afraid, will not be warranted.”

4.6. It has been admitted by the representatives of the STC that it is not possible for the STC to buy loose leaves of tobacco from the farmers. The farmers pool their tobacco, get it graded, processed, packed and then supply it to the S.T.C. In reply to a query of the Committee whether STC had any positive programme in hand to start its own processing centres adjacent to the proposed auction platforms, the representative of the STC stated that "in line with our present policy, we may have such a processing plant in future."

4.7. It has been stated by the State Trading Corporation of India in a note that one of the factors that creates opportunities for malpractices in the tobacco trade is the system of evaluating the quality. The note states:—

"At present, there is a dual system of grading; one at farmers level and the other at the export level. Considering that quality in tobacco is multi-dimensional, there being no definite objective yardstick to determine the quality, this dual system creates opportunities for malpractices. The method of judging quality factors like colour, texture, body etc. are purely by subjective appraisal. The relative importance attached to different quality factors by different buyers varies considerably. With different emphasis on quality factors by different buyers coupled with the subjective method of appraising the quality factors, it is easy for any buyer especially when the present conditions of "buyer market" prevail can be influenced by considerations totally unrelated to judging the quality. This situation can be remedied by:—

- (1) Introducing compulsorily a single system of grading at farmers level as per farm grades.
- (2) Creation of an agency for certifying these grades.
- (3) Introducing minimum price for growers grade statutorily;
- (4) Sale of tobacco under auction system and
- (5) Creation of an agency for buying such tobaccos as remain unsold at the auction platforms.

So far as export marketing is concerned, it is felt that Tobacco Board should evolve standard samples for each grade and no exporters should be allowed to prepare his own samples. This alone would ensure that no high grade tobacco is exported as low grade one."

4.8. Once these steps have been introduced it has been stated by the STC that it would be in a position to evolve a suitable scheme for buying tobacco directly from the growers with the existing infrastructure.

4.9. In regard to the availability of infrastructural facilities, the Committee were informed during evidence as follows:—

“STC in the past has been purchasing tobacco and essentially we have relied on the traders in the line. They have been purchasing from them. They did not have the necessary expertise or personnel or infrastructure to go on purchasing directly from the growers, or the purchase platforms. Purchase platform is a little complicated in the sense that there are various grades of tobacco and various categories and there are various methods of identifying the grades. They purchase Agmark tobacco. STC did not assume responsibility of purchasing farm tobacco which means they have to take certain risk regarding this. STC does not have any re-drying factory or reprocessing facilities. This is not within their ability to do that. That is the reason why they have been going in for Agmark tobacco. They don't have infrastructure worth the name except warehouses, and that too, on hire. Regarding personnel, they have a small field staff, but the main decisions about market and price and so on, are done in Delhi itself. A few people in the branch office handle these operations of Agmark tobacco from the trade.”

4.10. To an enquiry of the Committee regarding the present position of setting up of the auction platforms, the representative of the Ministry (Chairman, Tobacco Board) informed the Committee during evidence as follows:—

“The Tobacco Board and the Market Committee also went into it and it recommended the setting up of auction platforms and introducing the system of auction. We started working the detail and we wanted to get the financial proposals and also prepared. We find that there are a number of imponderables which have to be quantified and we have to give a formal report. We have asked the Administrative Staff College of India to prepare a report. Their report is ready and we expect to get on the 23rd October, 1978. Once I receive it, I will give my comments on it and place it before the Market Committee and the Board.”

4.11. On the Committee further enquiring whether the coming tobacco season will have the benefit of it, the Commerce Secretary stated that:—

“I would be very happy myself if it is possible. I am not quite sure whether all that work could be done before that time. I would only mention that while it is necessary to bring it very speedily, then it is more necessary to bring it with adequate preparations. I anticipate that there will be considerable resistance to that system.

“Next year what will be the production and so on is not known but I expect that the prices will generally fall. I think so. In a sense the regulatory aspect of the Board came at the right time when the growers themselves felt the disadvantages of over-production. So one can expect a certain stability. The STC could make some more purchases directly from the growers and we can perhaps live with it for one more year in the interests of grading and proper arrangements.”

4.12. The Tobacco Board Rules 1976 stipulate as follows in regard to fixation of minimum export prices of virginia tobacco:—

- (1) By 31st December every year, the Board shall recommend for the consideration of the Central Government the minimum prices which in its view should be fixed for the next year for the export of virginia tobacco as well as for such other varieties of tobacco which have an export prospect.
- (2) In recommending the said minimum export prices, besides such other matters as may be considered relevant, the Board shall take into consideration the following matters, namely:
 - (i) Surplus available from the previous crops and the size of the new crop;
 - (ii) Total assessed demand for home consumption and for exports;
 - (iii) Average FOB unit value realisation, quality-wise during the last twelve months and the trend of prices during the last three months;
 - (iv) Change in the cost of cultivation;

- (v) Desirability of ensuring a fair and remunerative return to the growers consistent with the need to make the minimum export prices attractive enough to take care of the entire exportable surplus.
- (3) The recommendations of the Board shall be accompanied by a detailed analysis of the data taken into consideration in arriving at those recommendations indicating also the manner in which the said recommended prices have been worked out.
- (4) If and when, in the opinion of the Board a situation develops warranting the revision of the said minimum export prices during the course of the year or when so desired by the Central Government the Board shall make special recommendation to the Government for its consideration, over and above the annual recommendation referred to in sub-rule (1).

4.13. While communicating the decision of the Government to purchase 10,000 tonnes of VFC tobacco on Government account on 10th April, S.T.C. was asked to ensure that—the quantity to be bought should be restricted to 10,000 tonnes and the prices paid should be the ruling market prices.

4.14. The S.T.C. were given some revised guidelines on 6th September, 1978 on the prices paid to the growers for purchase of tobacco on Government account.

4.15. The grade-wise details of prices of tobacco purchased on Government account, commercial purchases made by the S.T.C. and their corresponding minimum export prices are indicated below:—

(Price Rs. per kg.)

Grade	Government purchases (Ex-Go- down)	Commer- cial purchases (Ex-Go- down)	Minimum Export Price
1	2	3	4
3/RL	—	—	15.47
4/RS	15.49	18.08	19.46
LBY RS	14.42	17.10	18.47
LG RS	13.63	17.10	18.47

1	2	3	4
LBV 2 RS	11.14	13.59	14.91
LMG RS (Cases)	7.69	10.21	11.51
(bales)	7.19	9.71	—
BRS (Cases)	7.72	10.21	11.51
(bales)	7.22	9.71	—
MG RS (bales)	5.05	5.61	6.89
DB RL (b)	3.31	3.73	4.98
DB	5.28	—	—
DG RL	2.56	2.81	3.97
PL RS	4.00	4.42	5.67
4 RL	—	12.70	—
LBV RL	—	11.95	—

4.16. On 2nd June, 1978, the Government referred to the Agricultural Prices Commission the question of fixation of minimum price for virginia tobacco. The preliminary work relating to the report on the price policy for virginia tobacco for the 1978-79 crop was started in July, 1978 and the Commission's report on the subject was submitted to the Government on 28th December, 1978.

4.17. During evidence of the representatives of the Agricultural Prices Commission, the Committee were informed that APC costing was done up to the farm level and that marketing charges were not taken into account. It also transpired during the discussion that certain elements of cost of production like the interest on borrowed working capital, as well as the cost of transport till the tobacco reached the primary market were not adequately taken into account.

4.18. During evidence the Committee enquired from the representatives of the STC whether it had made any study of the prices that our growers get for the flue cured virginia tobacco, with the prices the growers are getting in the countries like USA, West Germany, Italy, Yugoslavia and Japan. The Committee were informed as follows:

"Our tobacco is comparable to American or any other quality tobacco in the world. But unless we improve our systems quickly and fast, we will not be able to get this unit value

return, as other countries are getting that is the reason why the buyer-seller relationship is so strong in our country, as far as tobacco is concerned. The buyer can get tobacco easily from India, rather than go to another country”.

4.19. The Committee were informed that the minimum export price “is to the advantage of the traders because it has built in traders commission into the price structure. But the grower is at the mercy of the trader”.

4.20. It was also stated that the minimum export price fixed by the Government of India under the Tobacco Board Rules did not reflect the cost of production of tobacco. Minimum price at the exporters level ensures payment to the exporter only but not to the grower. It was agreed that it was doubtful whether the benefit of the price received by the exporter percolated to the grower.

4.21. At present the cost of cultivation as worked out by the Tobacco Board is about Rs. 5,300 per hectare and in terms of that a recommendation was made that the first grade FI tobacco would fetch Rs. 1250 per quintal.

4.22. It was also stated that in the international market our prices were comparatively low.

4.23. As far as purchases on Government account were concerned, the price that S.T.C. had derived was the average price quoted by the Guntur Marketing Committee and the average price was quoted every day for the different grades.

4.24. During the evidence of the Ministry, the Committee were informed that no statutory floor price had been fixed so far. Such a price would be fixed on the recommendations of the Agricultural Prices Commission. On the basis of cost of cultivation. It was stated that though it would protect the interest of the grower—

“but the method in which it can be really enforced—that cannot be circumvented—is that the Government should have a purchase apparatus ready to buy whenever the price falls below that level.”

4.25. The Committee were also informed that the S.T.C. had not undertaken any exercise to ascertain the cost of production of tobacco in different regions. The Department of Commerce had however recently asked the Agricultural Prices Commission to undertake this study.

4.26. In regard to the steps taken by the Government from time to time to ensure that the tobacco growers get a remunerative price for their produce. The Department of Commerce furnished the following note:

"Prior to the establishment of the Tobacco Board in 1976, it was mainly through the mechanism of revision of minimum export prices that the Government were indirectly influencing the prices received by the growers. This practice is still being continued. After the establishment of the Tobacco Board, some measure taken by the Board to help the growers of virginia tobacco in getting a fair return for their produce and to receive timely payment are:—

- (i) *Fixation of indicative prices:* During 1977, the Tobacco Board fixed for the first time indicative price for grade I-V of virginia tobacco (kutcha grade) at Rs. 965/- per quintal. During 1978, the Board has fixed indicative prices for farm grades 1, 2 and 5 of Virginia Tobacco based on cost of production and other factors, as follows:—

Farm-1	Rs. 1250 per quintal
Farm-2	Rs. 970 per quintal
Farm-5	Rs. 920 per quintal

- (ii) *Evolution of 8 standard farm grades by the Board:* These were attempted to be introduced during the current marketing season in Andhra Pradesh but were not uniformly followed by the farmers this year. The farmers need extensive education/training in this revised system of grading which the Board proposes to arrange.
- (iii) *Introduction of tobacco leaf purchase voucher system:* This system is designed basically to check delays in receipt of sale proceeds by the growers. Under this system, 50 per cent of the price is to be paid by the buyer to the growers on delivery and the balance within a period of 90 days (extended to 150 days during the current season). All payments under this scheme are intended to be permitted by cheques only but during the current season, payments have been permitted in cash also.

- (iv) *Procurement of tobacco on Government account through STC.* In the interest of the tobacco growers and taking into consideration the large size of the current virginia tobacco crop, the Government have asked STC to buy 10,000 tonnes of tobacco on Government account.

For ensuring a fair return to the growers, two important steps envisaged under the Tobacco Board Act are promotion of grading at growers level and establishment of auction platforms.'

As indicated above, a beginning in regard to standard standardisation of grading at growers level has been made this year by evolution of 8 standard farm grades by the Board which it will try to popularise among the growers by imparting suitable training, etc. As regards establishment of auction platforms, the Board is at present empowered under the Act to function only as a registering authority for such platforms and it has no power to set up its own platforms. In order to give this power to the Board an amendment in the Tobacco Board Act, 1975 became necessary."

4.27. This issue was also discussed with the representatives of the Department of Commerce. The Committee wanted to know whether any study had been made to ascertain the number of persons who are operating between growers and manufacturers and whether their number was increasing, the Commerce Secretary stated that:

"I am not aware of any such studies.

* * * * *

We have been conscious of the lacuna in the system which has a limited role to play. As you know, in the meantime some kind of trade information system is trying to be established and we are trying to have a committee going into that with a view primarily in relation to export markets rather than internal."

4.28. To a question, whether private traders deliberately refrained from purchase consequent on the introduction of voucher system of payment, the Ministry of Commerce replied:

"It is true that the traders deliberately kept purchases in a low key at the commencement of the marketing season in Andhra Pradesh. However, following discussion with

them, as with the decision of the Tobacco Board to make certain relaxations in the Voucher System for the current year, the purchases picked up."

4.29. Explaining the unsatisfactory system of payment that prevailed in the trade prior to the introduction of the 'voucher system' the General Secretary of the Indian Tobacco Growers Association stated:—

"Hitherto, every company used to give a sort of chit to the grower indicating therein the quantity, the price and the total value of the stock he had given to the trader. And that chit varied from trader to trader. And after 6 or 9 months when the final payment was to be made, the grower would have to tear off that chit. These people used to manipulate their accounts and used to show inflated prices in their accounts thereby evading income-tax and by paying the lower price to the growers. Whenever any grower came to the Court, the Court did not take cognisance of those chits. That is why, the Tobacco Board in consultation with the Reserve Bank have formulated a voucher system wherein all the history of the purchaser and the grower, the quantity that is purchased and the value per kg. is entered and both the seller and the purchaser have to sign that voucher. This is to be supplied and printed by the Board with printed serial numbers etc."

4.30. Dealing with the opposition to the voucher system, he added:—

"It is obvious that it minimises the black money and if every transaction is done is made on Bank account, it becomes a fair business. They do not want that sort of fair business."

He elaborated further saying that—

"Here in the Virginia Tobacco, these traders purchase tobacco from the growers and take delivery of the stock. Then they hypothecate that stock and get 60 per cent or 70 per cent or 80 per cent credit from the banks keeping the growers unpaid for six months or seven months or eight months or even one year."

4.31. The Committee understand that the Agricultural Prices Commission has since presented its report on the price policy for

virginia flue-cured tobacco for 1978-79 crop year and has *inter alia* recommended that minimum support price for Farm Grade F2 of FVC Tobacco be fixed at Rs. 7.50 per kg. for the year 1978-79 crop. It is also understood that the recommendation is under the consideration of the Ministry of Commerce, who are responsible for price policy of virginia flue-cured tobacco.

4.32. A note on tobacco procurement and trading practices in India and remedies thereto, submitted by the STC is reproduced below:—

“The idea of getting export of tobacco controlled through a Government agency has to be examined in the context of the objectives that canalisation can achieve. If the objective is to protect the interests of the growers, it is felt that mere canalisation of export of tobacco would not meet the purpose as the farmers problems are to be seen in the light of marketing of tobacco both for internal consumption and exports. If the objective is to ensure that the Indian tobacco finds a rightful place in world market, it is felt that canalisation can meet the objectives provided growers interests are protected in the first instance. Hence, the idea has to be considered from both the aspects.

In a free economy like ours, growers interests cannot be protected by direct involvement of the Government in purchase, processing and export of tobacco but by other legislative measures. Even in free economy countries like USA, Canada and Rhodesia, there is Government involvement though not directly but by legislative measures.

For instance in USA production of FCV tobacco is seven times more than that of India (1345 million pounds as against India's 203 million pounds in 1976). Even with this huge production, the market for FCV tobacco is always a sellers' market and never a buyers' as in India. They have managed to keep the market as such by adopting and enforcing a series of supportive legislative measures like compulsory auction sales—Tobacco Warehouse Act. Tobacco Inspection Act and price support legislations for tobacco which enables the Government to fix and notify the minimum gradewise support price every season, to

the growers, based on the parity principle. The Government does not intervene as long as the farmers can sell their tobacco in the auction markets at or above the support prices. If the farmers cannot sell their tobacco in the auctions at or above the support prices, it becomes obligatory for the Government to buy such tobacco from the farmers by paying the support prices only and not the market prices. The Commodity Credit Corporation of the USDA finances the price support operations; actual delivery of the tobacco is taken for handling and storage by the "Flue-Cured Tobacco Growers Co-operative Price Stabilisation Corporation" which is financed by the Commodity Credit Corporation.

The growers either grade their tobacco themselves at their farms or get their tobacco graded through commercial grading houses according to the specifications prescribed by the USDA under the Tobacco Inspection Act. There is no further grading or quality certification by the Government at the export level. The official grading system in USA is completely growers' oriented and enforced at the auction markets, where the farmers sell their tobacco. The growers bring graded tobacco only to the auction markets. The Inspection Inspectors appointed by the USDA inspect the growers' tobacco just before putting the same for auction and affix the grade designation on the ticket attached to each bundle, basket or true. Inspection of tobacco by the Federal Inspectors before auction is mandatory under the Tobacco Inspection Act. The auction markets are owned and managed by the private enterprises. But they are regulated by the Government under the provisions of the Tobacco Warehouses Act. All the buyers—foreign and domestics are free to participate in the auctions and buy tobacco. The buyers do not make payment direct to the growers. They make payment to the auction floor management, which in turn pays to the growers. There is neither delay in payments nor credit sale. The growers are paid within one or two hours after the auctions for the day are completed.

While it may not be practicable at this stage to adopt the system of marketing as prevalent in USA how so ever

desirable they may be, it is felt that a beginning can be made introducing the following:

1. A single system of grading both for growers and for export of tobacco.
2. Facilities for compulsory grading of tobacco into standard grades in the rural side.
3. Fixation of the statutory floor prices for growers grade.
4. Auction system of selling tobacco.

When the above steps have been introduced, the Tobacco Leaf Purchase Voucher system introduced by the Tobacco Board during 1978 would fully protect the interests of the growers in respect of payments.

After the growers' interests have been properly safeguarded, there is a need for considering export of tobacco canalised through a Government agency.

The present position is that the principal buyers of Indian tobacco are the UK, USSR and Japan. In USSR and in Japan there were state monopolies who buy Indian tobacco. Being monopoly buyers they buy from a position of strength and are able to dictate terms. Even though in UK there are number of different firms which buy Indian tobacco but, they too, form cartels and dictate terms.

Considering that quality factor in tobacco is multi-dimensional, there is no definite objective yardstick to measure the quality. The method of judging quality factors like colour, texture, body etc. being purely subjective, lends itself to be appraised differently by different buyers and can be influenced by extraneous factors. A direct consequence of this subjective appraisal of quality is that the monopoly buyers are able to get high priced superior grade tobacco down-graded with consequent impact on the price.

It is a known fact that at present there are no buyers for agmark tobacco grades 1 & 2 which is exported as grades 3 & 4 at their respective prices thus rendering minimum export prices ineffective. Thus, the monopoly buyers by circumvention manage to buy superior grade at lower prices. This situation also applies to medium grades also.

It is a common knowledge that monopoly buyers buying from a position of strength are able to create intense competition amongst numerous Indian exporters and succeed in buying superior grade tobacco as one grade lower at corresponding lower prices. The Indian export inspection agency caught between a dilemma of either standing in the way of exports or sticking to grade specifications are a helpless spectators to the prevalent situation.

"This situation can be rectified only when a single agency exports tobacco when it can deal with monopoly buyers from a position of strength."

4.33. During evidence the Committee desired to know whether STC has made any study about the cost of production and the international sales price of tobacco a representative of the STC stated that:—

"It is very clear that our tobacco is being taken at a cheaper price by the international buyers."

4.34. He added that it goes cheaper by about 75 per cent and sometimes even by 100 per cent. According to him we were always in the buyers market.

4.35. A table below shows the estimated average Grower Prices of flue-cured tobacco prevailing in some tobacco producing countries between 1973 and 1977. It will be seen from the table that the prices range upto US-\$5.29 in Japan during the year 1977 and the price the grower obtained in India was US \$0.94 which was about 17.8 per cent of the maximum.

Country	Grower Prices				
	1973	1974	1975	1976	1977
1	2	3	4	5	6
(In U.S. DOLLARS PER KILOGRAM)					
1. Canada	1.74	2.03	2.04	2.28	2.24
2. Trinidad & Tobago	1.51	1.86	2.37	2.15	2.20
3. United States	1.94	2.31	2.20	2.43	2.60
4. Germany Fed. Rep.	2.42	2.66	2.87	2.81	3.30
5. Italy	2.15	2.46	2.83	2.35	2.32
6. Yugoslavia	1.67	1.70	2.70	2.58	2.57

1	2	3	4	5	6
7. South Africa	2.22	2.89	2.92	2.89	3.12
8. India	.74	.86	.96	.89	.94
9. Japan	2.99	3.93	4.40	4.69	5.29
10. Korea, Republic of	1.54	1.89	2.44	2.38	2.88
11. Australia	.60	4.12	4.36	4.19	3.89
12. New Zealand	.67	3.12	3.03	2.79	3.23

Source : Foreign Agriculture circular August, 1978 U.S. Department of Agriculture—Washington, D.C.

4.36. Another table below shows the average import value of tobacco in selected countries by country of origin between 1973 and 1977:

Report value of tobacco					
Importing Country and Country of Origin	1973-74	1974	1975	1976	1977
U.S. Dollar per kilogram					
<i>Belgium—Luxembourg :</i>					
Brazil	0.88	1.00	1.59	1.78	1.54
Greece	1.71	1.84	2.36	2.58	3.00
India	.89	.97	1.34	1.46	1.84
Indonesia	2.66	2.49	2.45	2.71	2.70
Mozambique	1.37	1.48	1.83	1.85	2.16
Netherlands	2.83	3.25	3.86	3.68	3.20
Turkey	1.34	1.66	2.05	2.71	3.15
United States	2.58	2.55	2.73	3.13	3.31
Other	1.63	1.66	1.87	2.01	2.27
<i>Ireland :</i>					
Canada	2.18	2.75	2.65	2.29	2.90
Korea, Republic of	1.62	2.29	2.71	3.02	3.05
India	1.93	2.50	2.49	2.45	2.66
Malawi	2.24	3.10	2.73	2.65	4.14
United States	2.37	3.05	3.13	3.28	3.59
Other	1.98	2.22	2.63	2.40	2.59
<i>Netherlands :</i>					
Belgium-Luxembourg	2.32	..	2.19	2.36	2.71
Greece	3.22	2.51	2.62	3.22	3.51
India	.90	.82	1.04	1.06	1.41

Exporting Country and Country of Origin	Report Value of tobacco				
	1973-74	1974	1975	1976	1977
Italy . . .	2.32	1.57	2.03	1.98	2.21
Malawi . . .	1.49	1.08	1.70	2.16	2.74
United States . . .	2.01	1.38	2.07	1.98	2.06
Other . . .	3.35	2.39	2.76	3.04	3.37
<i>United Kingdom :</i>					
Brazil . . .	1.54	1.70	2.20	2.11	2.92
Canada . . .	2.40	2.31	2.62	2.65	3.91
India . . .	1.65	1.90	2.03	1.85	2.88
Ireland . . .	1.52	2.12	2.49	2.33	3.80
Korea, Republic of . . .	1.50	1.77	2.20	2.42	3.73
Malawi . . .	1.85	2.26	2.47	2.80	4.00
South Africa, R-p. of . . .	1.61	2.05	2.23	2.38	3.73
Tanzania . . .	1.85	2.15	2.49	2.41	3.37
Thailand . . .	1.74	2.26	2.18	1.85	2.56
United States . . .	2.87	3.09	3.55	3.49	4.91
Other . . .	2.03	2.12	2.62	2.62	3.42
<i>Japan :</i>					
Bulgaria . . .	1.81	2.24	3.26	4.03	3.61
Greece . . .	2.07	2.65	3.71	3.33	3.59
India . . .	1.54	1.86	2.22	2.01	2.9
Thailand . . .	1.57	2.06	2.46	2.38	2.70
Turkey . . .	1.61	1.93	2.94	3.73	3.55
United States . . .	2.98	3.11	3.83	3.88	4.35
Other . . .	1.50	1.78	1.95	1.96	2.10

4.37. Although India is one of the main producers and exporters of virginia flue cured tobacco and nearly a lakh growers depend on the cultivation of tobacco for their livelihood, until quite recently virtually no step was taken to either protect the interests of the growers or to improve the export earnings. There has been regulation of neither production for marketing nor exports. Consequently, Indian tobacco alone has been totally in the buyers' market in the internal and external trade and a very unhealthy buyer-seller relationship had developed in the country which only benefited middlemen, the monopoly houses and foreign multi-nationals to the detriment of the interest of the growers and the economic interest of the country.

4.38. The opposition to the introduction of the voucher system of payment holding up purchase by the trade which was used to abnor-

smallly delayed payment and non-payment to the growers and various mal-practices including evasion of taxes generating black money is a measure of the vested interest that has been allowed to grow unchecked all these years. The Commerce Secretary in his evidence before the Committee apprehended resistance by the trade to the compulsory introduction of auction sales also. Further it is unfortunate that the statutory minimum export price notified by Govt. on the recommendations of the Tobacco Board admittedly did not help the growers at all and it only helped the middlemen. The growers left high and dry are totally at the mercy of unscrupulous traders all along. The price they obtained for their produce was a mere 17 per cent of what their counterparts got in Japan for similar Tobacco. The Committee were informed that our tobacco is as good as the best produced in America or any other country in the world. Thus even with a low realisation in the export market the middlemen, especially the rich, get an enormous margin.

4.39. In view of the foregoing the Committee emphasise that compulsory grading at the growers' level and statutory minimum support price together with introduction of auction system and effective buying of surplus by a Government agency are a must to ensure adequate return to the growers. The Tobacco Board should ensure creation of necessary infrastructure facilities including warehousing and processing centres without loss of time. Auction platforms must be ready before the next sowing season in Karnataka and Andhra Pradesh. There should be a Commercial Intelligence Cell in the Tobacco Board as well as in the Ministry of Commerce to watch the activities of middlemen in tobacco trading and it should be set up forthwith.

4.40. Export of tobacco has to be handled by a single agency to prevent mal-practices and to improve the unit value realisation which is about a half of what it ought to be. It is only the grip of the monopolists and intermediaries, particularly the multi-national, ITC in the absence of proper institutional arrangements that stands in the way of realising the legitimate price in the international market and the buyers cash on this. In this connection it is worth mentioning that there is greater governmental involvement even in free economy countries like USA, Canada and Rhodesia. The Committee therefore recommend that the export must be canalised through the STC.

4.41. Indicative prices for various grades of tobacco announced by the Tobacco Board to regulate payments to the growers were not enforceable and hence obviously did not have much effect. It was

therefore absolutely necessary to have a minimum statutory floor price for the growers. An exercise in this regard however, started for the first time only last year after this Committee took up examination of Purchase of Tobacco.

4.42. The minimum price recommended by the Agricultural Prices Commission in December 1978 is as low as Rs. 7.50 per Kg. for farm grade F.2 as against indicative price of Rs. 9.70 fixed by the Tobacco Board. The Agricultural Prices Commission has recommended the price on the basis of cost of cultivation of Virginia flue cured tobacco in Andhra Pradesh during 1975-76 which was estimated to be Rs. 4774 whereas the Tobacco Board had worked out the present cost as Rs. 5300 per hectare. The Committee's examination revealed that certain elements of cost of production like cost of curing operation, interest on fixed assets and working capital, depreciation etc. as well as the cost of transport till the tobacco reached the primary market were not taken into account. The Committee regret that the Agricultural Prices Commission which has been entrusted with the onerous task of safeguarding the interest of the agriculturists in the country, at times functions to the detriment of their financial interests. The Committee would like to know whether the Commission took note of the prices obtained by the growers in other tobacco producing countries and why our growers today should get as low as 17 per cent of what Japanese growers receive.

4.43. The Committee learnt that the recommendation of the Agricultural Prices Commission is under consideration of the Government. They suggest that the calculations of the cost of cultivation of tobacco which formed the basis for the recommendation of the Commission should be thoroughly checked in the light of what the Committee had pointed out in their 8th Report (1977-78) presented to Lok Sabha on 25-4-1978 in the case of jute. In doing so, they further suggest that the State Governments concerned and the Indian Council of Agricultural Research should be actively associated. The Committee would expect a report in this regard within three months.

4.44. The facts highlighted in this Report as well as the observations and conclusions of the Committee would show unmistakably that the poor tobacco growers were systematically exploited and the notion was denied of its legitimate share of foreign exchange earnings solely on account of the nefarious activities of the monopolists and a multinational Company in the Tobacco trade and industry, who also undoubtedly indulged in large scale evasion of tax and got richer and still richer in the process. The Committee therefore, re-

commend strongly that the role of Private tobacco trade and industry should be thoroughly probed by a High Powered Commission of Enquiry with a comprehensive terms of reference which should in particular cover the operation of large companies in the field today.

NEW DELHI;
16th April, 1979

JYOTIRMOY BOSU,
Chairman,
Committee on Public Undertakings.

APPENDIX I

(Vide paragraph 2.2?)

List of firms, co-operatives, syndicates selling tobacco to S.T.C.

I. Names of the Firms/Associates

1. **M/s. Shri Jayalakshmi Tobacco Co. (P) Ltd., Mangalagiri Road, Guntur.**
2. **M/s. Gogineni Tobaccos, Koretipadu, Guntur.**
3. **M/s. Jaya Enterprises, Koretipadu, Guntur.**
4. **M/s. Shri Venkataramana Tobacco Co., Mangalagiri Road, Guntur.**
5. **M/s. Aloori Kotaiah & Co., Darga Road, Guntur.**
6. **M/s. Ravuri Ramakotaiah & Co., Mangalagiri, Guntur.**
7. **Sri Lakshmi Tobacco Co., Mangalagiri Road, Guntur.**
8. **M/s. Madala Venkateswararao, Mangalagiri Road, Guntur.**
9. **M/s. Chegu Krishna Murthy & Co., G. T. Road, Guntur.**
10. **M/s. Kolla Thirupathi Radudu & Chaganti Konaiah Tob Pvt. Ltd., Mangalagiri Road, Guntur.**
11. **M/s. Best India Tobacco Suppliers, Guntur.**
12. **M/s. Yella Tobacco Enterprises, Guntur.**
13. **M/s. Y. Ramarao & Company, Kothapet, Guntur.**
14. **M/s. Kemminer Venkateswara Rao & Co., Mangalagiri Road, Guntur.**
15. **M/s. Famous Leaf Tobacco, Guntur.**
16. **M/s. Allagadda Venkateswararao, Amaravathi.**
17. **M/s. Praveena Tobacco Suppliers, Giddalur, Prakasam Dt.**
18. **M/s. Sri Venteswara Leaf to suppliers, G. T. Road, Ongole.**
19. **M/s. Sri Madhusudha Tobacco (I), Tangutur.**
20. **M/s. Golden Leak Tobacco Co., Tangutur, Prakasam Dt.**
21. **M/s. Indian Tob Traders, Tangutur, Prakasam Dt.**

22. M/s. Kandimala Raghavaiah & Co., Chilakaluripet, Guntur.
Dt.
23. M/s. Srisanjaya Tobacco, Chilakaluripet, Guntur Dt.
24. M/s. M. M. Krishnaiah Seetharanapuram-Maddipadu-PKM
Dt.
25. M/s. South India Leaf Tobacco, Co. Maddipadu PKM Dt.
26. M/s. Mandava Venkataryudu Seetharamapuram Prakasam,
Dt.
27. M/s. Lavania Tobaccos (P) Ltd. Ongole Prakasam, Dt.
28. M/s. Sri Anjaneya Tob Co., Ongole Prakasam.
29. M/s. Southern Tobacco Suppliers, Tangutur Prakasam, Dt.
30. M/s. Bharat Leaf Tobacco Co., Tangutur Prakasam, Dt.
31. M/s. Guduru Kotaiah & Co., Tangutur, Prakasam Dt.
32. M/s. Andhra Leaf Tobacco Suppliers Tangutur, Prakasam
Dt.
33. M/s. Vijayasaradhi Tobacco Co., Tangutur, Prakasam Dt.
34. M/s. Jayabharat Tobacco Company, Throvagunta, Prakasam
Dt.
35. M/s. Kandimala Subbarao & Co., Chilakaluripet, Guntur Dt.
36. M/s. Anjaneya Tobacco Co. Pvt. Ltd., Tangutur-Prakasam
Dt.
37. M/s. Bocbrga Viswanathan.
38. M/s. Eastern Tobacco Co., Guntur.
39. M/s. Sekhar Tobacco Corpn. Seetharamapuram, Prakasam
Dt.
40. M/s. Commercial Tobacco Corpn. G. T. Road, Guntur.
41. M/s. Sri Krishna Tobacco Company, Mangalagiri Road,
Guntur.
42. M/s. Navabharat Enterprises Ltd., Throvagunta, Prakasam
Dt.
43. M/s. K. Ramakrishnamurthy & Co., Guntur.
44. M/s. Deep South Syndicate, Kaligiri.

II. Names of the Societies

1. M/s. The Guntur District Tobacco Growers & Curers Co-op. Marketing Society Ltd., Ongole (Prakasam Dt.).
2. M/s. Pothavaram Multipurpose Cooperative Credit Society Ltd., Pothavaram (PO), Prakasam Dt.
3. M/s. Primary Agricultural Co-operative Credit Society Ltd., Chinavenkannapalem (PO) Kovali Talh, Prakasam Dt.
4. M/s. The Budamgunta Multipurpose Co-operative Society, Chowdaripalem (PO) Kavali Taluk, Prakasam Dt.
5. M/s. injamuru Multipurpose Co-operative Society Vinjamuru (PO) Prakasam Dt.
6. M/s. Deep South Tobacco Growers Syndicate, Kaligiri (PO), Prakasam Dt.
7. M/s. Marellaguntapalem Primary Agricultural Co-op. Credit Society Ltd., Marellaguntapalem (PO) Prakasam Dt.

APPENDIX II

(Vide paragraph 2.50)

Purchase of Virginia Flue Cured Tobacco by Companies during 1977

Name of Company	Purchases in Tonnes
1. India Tobacco Company Ltd., I.L.T.D. Divn.	90,552
2. National Tobacco Co.	2,903
3. Southern Leaf Tobacco Co.	2,066
4. Bommidala Brothers Ltd.	3,474
5. Polisetty Somasundaram Ltd.	3,221
6. Sundaram Tobaccos	3,137
7. Kolla Tirupati Rayudu & Changanthi Konaiah Tobacco Co.	837
8. Golden Tobacco Co.	7,830
9. Navbharat Enterprises Ltd.	7,300
10. Maddi Lakshmaiah & Co.	6,500
11. East India Tobacco Co.	4,900
12. Maddi Satyanarayana & Co.	2,740
13. Maddi Venkataranam & Co.	4,287
14. Bitcorp Pvt. Ltd.	2,411
15. Sri Anjaneya Tobacco Co.	3,658
16. Agrimoor Pvt. Ltd.	2,176
17. Viswabharat Agri. Products Pvt. Ltd.	916
18. Mittapalli Adinarayana & Co.	1,051
19. Sri Lakshmi Tobacco Co.	568
20. Anjaneya Tobacco Co.	2,634
21. Radhika Enterprises	568
22. Bharat Leaf Tobacco Co.	649
23. Chegu Krishnamurthy & Co.	195

Name of Company	Purchases in Tonnes
24. Aluri Kotaiah & Co.	126
25. Hasanali Saleh Md. & Co.	216
26. Madala Venkateswara Rao	274
27. Venus Tobaccos	197
28. Andhra Trade Development Corpn.	950
29. Are Krishna Reddy	311
30. Golden Leaf Tobacco Co.	442
31. Lavanya Tobaccos Pvt. Ltd.	613
32. Guduri Kotaiah & Co.	1,826
33. Sri Sanjay Tobaccos	225
34. Sri Vijaya Saradhi Tobaccos	477
35. Sri Venkateswara Leaf Tobacco Suppliers	1,150
36. Aruna Enterprises	40
37. United Leaf Tobacco Co.	115
38. Guntur Dist. Tobacco Growers & Curers Coop. Society	30
39. Best India Tobacco Ltd.	341
40. Commercial Tobacco Corpn.	58
41. Southern Tobacco Supplier	231
42. Kommineni Venkateswara Rao & Co.	187
43. R. V. S. Rao & Co.	16
44. A. Venkateswara Rao	143
45. Balla Kotaiah	11
46. Sri Tobaccos	55
47. Andhra Leaf Tobacco Co.	94
50. Sri Madhusudhana Tobacco Co.	116
51. Kishore Tobacco Co.	68
52. Sri Balaji Tobacco Co.	37
53. Sri Mahavir Paras & Co.	216
54. K. Ramakrishna Murthy & Co.	117

Name of Company	Purchases in Tonnes
55. Srinivasa Tobacco Co.	57
56. Kandimalla Raghavaiah & Co.	1,248
57. Praveen Tobacco Co.	59
58. M/s. Venkata Reddy	81
59. Sree Lakshmi Tobacco Co.	42
60. Ravuri Rama Kotaiah	178
61. Koppalavari Sriramulu	122
62. Sk. Ismael	29
63. Sri Rama Tobacco Co.	342
64. Manukonda Ramireddy	28
65. Vijaya Bharati Tobacco Co.	24
66. Bommidala Purnaiah	173
67. Suleman Khan & Mahaboob Khan Tobacco Ltd.	2,500
	<u>1,08,967</u>

or 110 million kgs.

APPENDIX III

Summary of Conclusions/Recommendations of the Committee on Public Undertakings contained in this Report

S. No.	Reference to Paragraph	Summary of Conclusions/Recommendations
(1)	(2)	(3)
1	2.21	The performance of the State Trading Corporation in regard to purchase and disposal of targetted 10,000 tonnes of surplus tobacco as decided by Government in 1972 in the wake of a bumper crop commented upon by the Comptroller & Auditor General of India reflects very badly on the ability of the Corporation to undertake such a responsibility. The actual purchase was only 7476 tonnes. The plea of lack of experience for the shortfall cannot be accepted by the Committee as the State Trading Corporation has been in this field since 1957. The purchase was made through selected packers and the price paid to them was not related to the price paid by them to the growers. No effective programme for the prompt disposal of the tobacco was drawn up and there was deterioration of stock resulting in a loss of Rs. 7.13 lakhs. The Corporation incurred a loss of Rs. 49.82 lakhs on the whole. It is no wonder therefore that no purchase was made by the STC thereafter until 1977 except undertaking some exports. The Committee would like to know specifically why the STC miserably failed all these years.
2	2.58	The situation in 1978 very much warranted effective action on the part of a Government buying agency to come to the rescue of the

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tobacco growers. However, it was only after the matter was raised in Lok Sabha in March 1978 by which time the Committee also had started their examination of the tobacco operation of the State Trading Corporation, that the Government felt compelled to move the Corporation to organise itself to handle support purchase of 10,000 tonnes of tobacco in addition to 5,000 tonnes on commercial basis. A quantity of only 6250 tonnes was purchased on Government account by October 1978 and even this limited quantity was not purchased directly from the growers in kutchra farm grades, which was against the spirit of the Government's directive. A quantity of 2018 tonnes was to be purchased from 11 Cooperatives of Growers and the remaining 7982 tonnes from 266 Growers Syndicates. The necessity for purchasing from packers had also been felt. No export market had been located even by the close of 1978 for the disposal of this quantity. Thus the performance of the STC during the year 1978 was even far worse than what it was in 1972. The Committee would await a report on the total quantity actually purchased and disposed of and the impact as well as the economics of the operation.

3	2.59	The commercial purchase of 5,000 tonnes
	and	was to be from 44 Associate firms and some
	2.60	growers, cooperatives/syndicates. The term
		Associates amounts to needless lending of
		prestige by STC for what consideration the
		Committee are unable to understand 18 of the
		so-called Associate firms patronised by the STC
		were themselves exporters whom the STC was
		helping to find additional market abroad with
		the result one of them namely Nav Bharat
		Enterprises Ltd. has grown big enough to have
		entirely direct dealings with the exporters. The
		General Secretary of the Indian Tobacco Growers
		Association told the Committee that when the

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STC entered the market in a big way the existing concerns floated new ones in the name of their relatives and the latter were given business by the STC. According to a representative of the STC the malady of benami firms was there in tobacco trade in a large measure. The extent to which manipulation could be made taking advantage of the lacuna in the STC's operation could be seen from the fact that one of the so-called growers syndicates turned out to be no more than a partnership firm of few large scale tenant growers. According to the Chairman, Tobacco Board, there are cases that came to his notice where the growers organisations were headed by men who not being genuine growers, had an axe to grind in trading. Such people undoubtedly derived substantial benefit through dubious means from the STC's buying.

It is obvious that in the existing scheme of things benefit of even the STC's support purchase operation does not accrue to the growers while the traders acting under the cover of the syndicates make profit. A representative of the STC agreed with this inference. The Commerce Secretary also readily conceded in his evidence that the contacts between the growers and the STC needed to be considerably improved upon. The Chairman, Tobacco Board, made it clear that the STC would not be able to take farm grade tobacco on the platform like a private trader. A representative of the STC also further confirmed this and told the Committee that the STC did not have the infrastructure to buy from growers if graded tobacco is not offered individually by them. All this at once indicates the serious weakness of the Government buying agency as well as the strength of the private monopolists. It is therefore not surprising that a third of the total purchase of Virginia flue cured tobacco is made by a single firm viz., India

(1)	(2)	(3)
		<p>Tobacco Co. Ltd. a multinational Company, which enjoys a big monopoly over tobacco trading, export and tobacco based industry, which is highly undersirable and should be curbed forthwith. In such a situation as prevails now protection of growers' interest is almost an impossibility. Government should therefore loose no time in taking steps to eliminate middlemen and monopolists thriving on the inadequacies of the Government Buying Agency.</p>
4	2.61	<p>The Committee were informed during evidence that the STC had great difficulty in entering the export market because of the strong relations between the foreign buyers and the domestic monopolies as well as the multinational Company who take advantage of uncontrolled production and enormous scope for manipulation in grading. There being no state monopoly in tobacco business this situation is bound to prevail. Recently there was a possibility of STC entering the Chinese market but a private exporter got the better of the Corporation and obtained an export order directly from China for 2200 tonnes valued at 4.2 million U.S. dollars. It is distressing that the STC remained unconcerned when it held enormous stock without being able to locate export market. The Committee apprehend that by this behaviour the government buying agency runs the risk of being discredited which will act as a damper for future entry into the export market. Government must therefore take a serious note of this.</p>
5	2.62	<p>The Committee gather an impression that the local pressures and pulls in tobacco trade in Andhra Pradesh and elsewhere are such that a government regulatory and marketing agency would be greatly handicapped, if executives are unduly familiar with local traders and are susceptible to their pernicious influence. Realis-</p>

(1)	(2)	(3)
		<p>ing the imperative need to ensure a detached and impartial functioning of the agency for effectively safeguarding, the interest of the genuine growers as well as the larger economic interest of the country the Committee are constrained to suggest that such executives either in the STC or in the Tobacco Board should not be entrusted with such a responsibility or posted to such a place as would run counter to these objectives.</p>
6	3.13	<p>A long felt need to have a separate Statutory Commodity Board for tobacco basically to protect the interests of the growers was fulfilled only in 1976 with the setting up of the Tobacco Board. The Board as it is constituted today is weighted heavily in favour of the manufacturers and dealers. This ought to be ended forthwith ensuring a dominant voice for the growers. Though manufacturers are represented on the Board surprisingly they are not brought within the discipline of any regulatory mechanism of the Board. In the absence of a minimum support price based on true cost plus a reasonable return and an effective purchase of the surplus they are fleecing the growers. Therefore there ought to be registration of the manufacturers also to regulate and control their activities by the Tobacco Board.</p>
7	3.14	<p>The Tobacco Board has been constituted primarily to safeguard the interests of growers. Taking on the Board members having diverse interest in Tobacco business would result in the Board working at cross purposes and it is bound to fail in discharging its primary responsibility. It is therefore necessary to restructure the Board so as to function as effectively as the Coffee Board and free it from those who have financial interest in tobacco except that of genuine growers. The Committee accordingly recom-</p>

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		<p>mend that the Board should have six Members of Parliament—four from Lok Sabha and two from Rajya Sabha, four genuine representatives of growers, one representative of agricultural tobacco growing labour and another labour representative in non-agricultural tobacco operations, besides official Members. This would mean election of three more Members of Parliament—two from Lok Sabha and one from Rajya Sabha for associating with the Board in addition to such further number of officials/growers' and labour representatives as may be required. The size of the Board should not be unwieldy as it is now. The Board should be headed by a non-official, preferably a Member of Parliament. An advisory Committee should however be constituted with representations to various interests, such as growers, consumers and others connected with Tobacco trade and industry and this Committee could meet at least twice a year.</p>
8	3.15	<p>At present the Tobacco Board is mainly concentrating on the virginia flue cured tobacco. As the growers of other varieties of tobacco are also in serious distress due to non-marketability of their product the Board should cover all varieties of tobacco. They should open full fledged Branch Offices in all tobacco growing areas.</p>
9	3.16	<p>In terms of Section 8(2) (g) of the Tobacco Board Act, 1975 the Parliament's intention was to vest the Board with the responsibility of undertaking support purchase operation. This cannot be delegated to the State Trading Corporation under an executive fiat as has been done recently. This executive order seriously offends against the Act of Parliament which amounts to scant regard bordering on contempt. The Committee, therefore, strongly feel especially in view of the half hearted, wayward and poor performance of the STC that the Tobacco Board should</p>

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undertake purchase though it is advisable to associate STC's export agency with it in order to ensure marketability of tobacco abroad. In this connection it is also worthwhile to nominate a representative of the STC on the Tobacco Board.

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and
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Although India is one of the main producers and exporters of virginia flue cured tobacco and nearly a lakh growers depend on the cultivation of tobacco for their livelihood, until quite recently virtually no step was taken to either protect the interests of the growers or to improve the export earnings. There has been regulation of neither production for marketing nor exports. Consequently, Indian tobacco alone has been totally in the buyers' market in the internal and external trade and a very unhealthy buyer-seller relationship had developed in the country which only benefitted middlemen, the monopoly houses and foreign multinationals to the detriment of the interest of the growers and the economic interest of the country.

The opposition to the introduction of the voucher system of payment holding up purchase by the trade which was used to abnormally delayed payment and non-payment to the growers and various mal-practices including evasion of taxes generating black money is a measure of the vested interest that has been allowed to grow unchecked all these years. The Commerce Secretary in his evidence before the Committee apprehended resistance by the trade to the compulsory introduction of auction sales also. Further it is unfortunate that the statutory minimum export price notified by Government on the recommendations of the Tobacco Board admittedly did not help the growers at all and it only helped the middlemen. The growers left high and dry are totally at the mercy of unscrupulous

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pulous traders all along. The price they obtained for their produce was a mere 17 per cent of what their counterparts got in Japan for similar Tobacco. The Committee were informed that our tobacco is as good as the best produced in America or any other country in the world. Thus even with a low realisation in the export market the middlemen, especially the rich, get an enormous margin.

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In view of the foregoing the Committee emphasise that compulsory grading at the growers' level and statutory minimum support price together with introduction of auction system and effective buying of surplus by a Government agency are a must to ensure adequate return to the growers. The tobacco Board should ensure creation of necessary infrastructure facilities including warehousing and processing centres without loss of time. Auction platforms must be ready before the next sowing season in Karnataka and Andhra Pradesh. There should be a Commercial Intelligence Cell in the Tobacco Board as well in the Ministry of Commerce to watch the activities of middlemen in tobacco trading and it should be set up forthwith.

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Export of tobacco has to be handled by a single agency to prevent mal-practices and to improve the unit value realisation which is about a half of what it ought to be. It is only the grip of the monopolists and intermediaries, particularly the multi-national, ITC in the absence of proper institutional arrangements that stands in the way of realising the legitimate price in the international market and the buyers cash on this. In this connection it is worth mentioning that there is greater governmental involvement even in free economy countries like USA, Canada and

(1)	(2)	(3)
		Rhodesia. The Committee therefore, recommend that the export must be canalised through the STC.
13	4.41 and 4.42	<p>Indicative prices for various grades of tobacco announced by the Tobacco Board to regulate payments to the growers were not enforceable and hence obviously did not have much effect. It was therefore absolutely necessary to have a minimum statutory floor price for the growers. An exercise in this regard however, started for the first time only last year after this Committee took up examination of Purchase of Tobacco.</p> <p>The minimum price recommended by the Agricultural Prices Commission in December 1978 is as low as Rs. 7.50 per Kg. for farm grade F.2 as against indicative price of Rs. 9.70 fixed by the Tobacco Board. The Agricultural Prices Commission has recommended the price on the basis of cost of cultivation of Virginia flue cured tobacco in Andhra Pradesh during 1975-76 which was estimated to be Rs. 4774 whereas the Tobacco Board had worked out the present cost as Rs. 5300 per hectare. The Committee's examination revealed that certain elements of cost of production like cost of curing operation, interest on fixed assets and working capital, depreciation etc. as well as the cost of transport till the tobacco reached the primary market were not taken into account. The Committee regret that the Agricultural Prices Commission which has been entrusted with the onerous task of safeguarding the interest of the agriculturists in the country, at times functions to the detriment of their financial interests. The Committee would like to know whether the Commission took note of the prices obtained by the growers in other tobacco producing countries and why our growers today should get as low as 17 per cent of what Japanese growers receive.</p>

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14	4.43	<p>The Committee learnt that the recommendation of the Agricultural Prices Commission is under consideration of the Government. They suggest that the calculations of the cost of cultivation of tobacco which formed the basis for the recommendation of the Commission should be thoroughly checked in the light of what the Committee had pointed out in their 8th Report (1977-78) presented to Lok Sabha on 25-4-1978 in the case of Jute. In doing so, they further suggest that the State Governments concerned and the Indian Council of Agricultural Research should be actively associated. The Committee would expect a report in this regard within three months.</p>
15	4.44	<p>The facts highlighted in this Report as well as the observations and conclusions of the Committee would show unmistakably that the poor tobacco growers were systematically exploited and the nation was denied of its legitimate share of foreign exchange earnings solely on account of the nefarious activities of the monopolists and a multinational Company in the Tobacco trade and industry, who also undoubtedly indulged in large scale evasion of tax and got richer and still richer in the process. The Committee therefore, recommend strongly that the role of Private tobacco trade and industry should be thoroughly probed by a High Powered Commission of Enquiry with a comprehensive terms of reference which should in particular cover the operation of large companies in the field today.</p>