

11 54 hrs.

# CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE

## SITUATION ARISING OUT OF LACK OF SALE OF COTTON IN GUJARAT AND SOME OTHER STATES DUE TO IMPOSITION OF CERTAIN CONTROLS

SHRI P. M. MLHTA (Bhavnagar) Sir, I call the attention of the Minister of Foreign Trade to the following matter of urgent public importance and request that he may make a statement thereon —

'The situation arising out of the reported lack of sale of cotton in Gujarat and some other States due to the imposition of stock credit and contract controls

SHRI INDRAJIT GUPTA (Alipor) The Minister's attention has been called, but where is the Minister ?

MR SPEAKER The time for taking up the calling attention motion is 12 O Clock but because we have finished the questions a little earlier (*Interruption*)

SHRI PILOO MODY (Godhra) You must adjourn the House

AN HON MEMBER The hon Minister is here

MR SPLAKER He is very much there

SHRI PILOO MODY He is physically here, not very much there

THE DEPUTY MINISTER IN THE MINISTRY OF FOREIGN TRADE (SHRI A. C. GEORGE) Mr Speaker, Sir, cotton prices reached their peak levels in January, 1971 as result of a short crop of 53 lakh bales. Due to the acute shortage of cotton the annual production of both cloth and yarn was the lowest in 20 years. Our exports were adversely affected. Government took certain measures to arrest the rising trends. The high price level was maintained till September, 1971. Hon'ble Members will appreciate that this position could not be allowed to continue. Our initial estimate

of the current year 1971-72 crop was 55 lakh bales. As a result of favourable weather conditions in most of the cotton growing areas excluding Maharashtra the production will be around 59 lakh bales. It cannot, therefore, be expected that the unprecedented levels which prevailed during the last season can be sustained during the current season. The prices have been declining since the last two months with the increased arrivals of cotton from Gujrat, Mysore and Punjab. The present prices compare well with the prices ruling in 1969/70 which was a normal year.

Some adjustments in the credit curbs were made before the bulk arrival of new crop. Due to increased arrivals in the market these adjustments have proved to be inadequate. Consequently the volume of purchases could not be increased to levels which can produce a stabilizing effect.

The Government has been watching closely the situation. The programme of import of foreign cotton has been curtailed by about 2.5 lakh bales.

In this context I am happy to announce that the present stock limits have been informally increased by one month in respect of all the mills in the country. It can be normally presumed that this will work out to additional purchase possibilities of nearly five lakh bales. This I am sure, the House will agree, will go a long way in stabilizing the prices.

The Cotton Corporation has already opened a large number of purchase Centres in various States and have already purchased more than 40,000 bales. Purchases in larger volume are continuing.

In order that the growers may be given higher prices to act as incentive to grow more cotton next year, the Government has further under consideration several measures, some of which are —

- (a) Securing suitable relaxation in credit restriction,
- (b) extending period of delivery in respect of non transferable specific delivery contracts.

I assure the House that the Government is constantly keeping a watch on the situation and proper remedial steps will be taken shortly to protect the interest of the growers.

**SHRI P. M. MEHTA :** Sir, I carefully heard the statement made by the hon. Minister. But I do not find adequate measures taken by the Government which will tide over the serious economic crisis that is being faced by thousands of cotton growers in the country, specially, in the States of Gujarat, Maharashtra and Punjab. This House should take note that our agriculturists, tillers and growers have made ceaseless effort to take this country to self-sufficiency in the matter of foodgrains and cash crops. Unfortunately, for want of timely action on the part of the Government, the farmers and peasants who take the country towards self-reliance have to face great hardships and a serious economic crisis. This has happened with the growers of cotton and a serious situation has arisen particularly in the States of Maharashtra, Gujarat and Punjab.

The cotton production of last year, 1971, was of the order of 53 lakh bales while this time, it has gone upto the order of 66 lakh bales. It is very surprising that the price of cotton has gone down and in the last few months it has shown a steep fall in the cotton price. This has resulted in huge accumulation of stocks with cotton growers. The price has gone down by nearly Rs. 800 to Rs. 1000 per khandi, i.e., 10 pakka maunds, in the State of Gujarat ; elsewhere also the position is the same. This has affected our cotton growers and their economy very adversely. I would request the Government to take note of this situation.

12 hrs.

There is ample stock with the growers in Gujarat, Maharashtra and Punjab, but there are no buyers for this cotton. In Gujarat the crop this year is estimated to be of the order of 24 lakhs of bales. Out of this, 15 lakhs of bales have already come into ginneries. But the total sale upto now is only of the order of 9 lakh bales. Six lakhs of bales of growers are lying with the ginneries. It means that nearly nine lakhs of bales are yet to come into the market. It

means that a total of 15 lakhs of bales are likely to remain unsold. I can well understand why this situation has arisen. It seems to me that it is only because of stringent restrictions on stock and credit facilities.

At present there are restrictions on stock. I do not know how the Minister has announced that they are liberalising the restrictions on stock. You should lift all the restrictions ; otherwise, there will no buyers for cotton.

In the same way, there are restriction on credit facilities. The commercial banks and cooperative banks ask for a margin of 50 per cent for the first quarter of the year, i.e., from January to April, and 70 per cent for the second quarter. This has made it impossible for the cooperative societies and trade channels to buy the cotton. There is also control over forward sales.

I can well understand that, in the case of acute shortage of cotton in the country, checks and counter-check measures are necessary because these measures will help the general economy...

**MR. SPEAKER :** The hon. Member may please ask his question.

**SHRI P. M. MEHTA :** Yes, Sir ; I am coming to that.

But when there is ample production and stock in the market, these restrictions should be removed.

With your permission, Sir, I would point out one more thing and then ask my question.

Yesterday, my hon. friend, Shri Indrajit Gupta, has stated during the course of his speech on general debate on the Budget that the consumer in this country pays 30 per cent high on the stamped rates. So, neither the growers are benefited, nor the consumers are benefited. I do not know who is benefited by the present policy of the Government.....

**SHRI PILOO MODY :** Ministers.

**SHRI P. M. MEHTA :** The Cotton Corporation of India is constituted to come into the market at the appropriate time, but the

[Shri P M Mehta]

Cotton Corporation of India has failed to do so, it is hesitating and is shy to enter into the market. It has purchased hardly 1000 bales of cotton in the State of Gujarat. If the buffer stock is not lifted this time, it is very likely that the cotton growers will switch over to other crops which will ultimately result in shortage in the production of cotton next year. When will the Government take concrete steps to protect the interests of the cotton growers? When will the Government notify the supporting prices, and do the Government have any long term and short-term schemes to stabilise the cotton prices as well as the cloth prices in the interests of the growers and the consumers?

SHRI A C GEORGE: The hon. Member has raised many points which are quite relevant to the situation prevailing and he has made one or two questions also.

I would like to answer him from the last point which he raised, namely, about the situation prevailing in Gujarat. He has a feeling that the Cotton Corporation which is ultimately meant to benefit the small growers in our country has not acted promptly quickly or in an efficient manner. I may humbly submit that his figures are not up-to-date. The Cotton Corporation has already purchased from Gujarat alone 3000 bales upto yesterday and immediately we are purchasing 20,000 bales more from Gujarat alone. So far the Cotton Corporation operating on the indigenous cotton, has invested more than Rs. 482 crores at the market prices. As a commercial corporation, you can imagine it is too much of a risk. If prices fall, the Cotton Corporation, being a commercial corporation, will be faced with a situation of facing a huge loss. So, I may differ with the hon. Member when he makes a statement that the Cotton Corporation has not moved in or is not efficient. It may be made out that its operations are not upto the mark or it may not be efficient but I may inform the hon. Member that as early as December itself, the Cotton Corporation stepped into the market and has made large purchases. Further, I would like to point out at this juncture, and I thought that the hon. Member was listening carefully to the statement made that we have already announced that stock restrictions are being relaxed and by relaxation of the stock restriction by one

month—the average consumption in our mills all over the country is near about 5 lakhs bales—naturally, there will be an immediate buoyancy in the market to the tune of 5 lakh bales.

SHRI P H O O MODY: Not necessarily.

SHRI A C GEORGE: Not necessarily, if you are not availing of the credit facilities. We are definitely taking note of that situation. We are taking up with the commercial banks to move in quickly so that this relaxation will be synchronised with the credit facilities also.

Then the Member was making a point that the prices have crashed. I will definitely agree with him that the prices are lower than last year. But last year was an unusual year. It is true our farmers got a high price during last year but I made out in the statement itself that the prevailing price is well compared with the normal year. I will read out

In 1969-70 which we can consider to be a normal year the price of Digvijay was Rs. 2069 per candy. 147—Rs. 1900, Kalyan—Rs. 1870, Khandesh—Rs. 1734 and Bengal Deshi Rs. 1221. The prices as on 15th March 1972 for the same items are Digvijay—Rs. 2396, that is, at least Rs. 300 more than 1969-70. For L 147—Rs. 2175, which is at least Rs. 175 more than in 1969-70. Then, for Kalyan—Rs. 1700, that also compares well. For Khandesh, it is at least Rs. 13 more since the prevailing price is Rs. 1750. In Bengal Deshi it was Rs. 1243, at least Rs. 22 more than the price of 1969-70 (*Interruptions*). But, even then I do concede that these prices are lower than last year's. But last year was an unusual year and the price which we can normally compare is of 1969-70. I am not sure whether the Member is correctly informed when he was putting up an estimate of 66 lakh bales. Even the most optimistic estimate of this year's indigenous production is only 62 lakh bales and we presume that it may be 59.5 or 60 lakh bales.

SHRI INDRAJIT GUPTA: This will include the carry-over.

SHRI A C GEORGE: I am prepared to give you that figure also.

The carry-over figure from last year was 11.56 lakh bales.

**SHRI INDRAJIT GUPTA :** You add that to the production.

**SHRI A.C. GEORGE :** Let me continue, Foreign cotton was 4.25 lakh bales and the total we had was 15.81 lakh bales. This is what happens in every industry which is running on such a big scale, and this cannot be stopped. This is bound to be there. Next year we will have a carry-over to the tune of 19 lakh bales. This is a normal industrial operation and there is nothing alarming about it.

Before I conclude, I would like to take up the question raised by the hon. Member, and here and now I want to congratulate our farmers who accepted the challenge of the nation. They listened to the clarion call for more production and they definitely reached self-sufficiency level, but this is something which can happen when the production is going up.

**SHRI P. M. MEHTA :** He has conveniently forgotten the high cost of production.

**MR. SPEAKER :** Mr. Piloo Modv, your Call Attention Notice came after the time fixed. But I allowed it as an exception because there were not many names. Kindly don't do it in future. It must come in time whenever you send it.

**SHRI PILOO MODY :** On behalf of the messenger who carried it to you I apologise to the House.

**MR. SPEAKER :** I beg your pardon.

**SHRI PILOO MODY :** I said, on behalf of the messenger who carried it to your office, I apologise to the House, and I would take this opportunity of thanking you for having allowed me to have my say on this important subject, Sir.

**MR. SPEAKER :** In future you kindly stick to the time.

**SHRI PILOO MODY :** This particular Call Attention, I don't think, full justice to the problem of cotton. It is very necessary that in a very staple fibre, a staple commodity like cotton, stable price should prevail from year to year bearing in mind the fluctuations due to increase or decrease in crop. Credit facilities

available through trade channels have been clamped down in such a fashion that a situation developed and the Government rushed in, imposing certain controls of credit such as they did last year, which was necessary last year, in view of the crop and the high prices prevailing. But the Government has known for some time now, Sir, that the production of cotton this year is going to be abundant and therefore early steps should have been taken to relieve the credit control so that normal market operations could have taken place. When one sees the statement presented by the Minister, one would say, sitting in Delhi, yes, everything is fine with regard to cotton. It is such a reasonable statement except for point No. 5, which is somewhat deceptive. One would imagine that things were going on very well. But when you go down into the cotton growing areas and talk to the farmers, you realise what a monumental problem has been created. Take point No. 5 to begin with. To begin with, it says "The Cotton Corporation has already opened large number of purchase centres." One would imagine that the Government officials of the Cotton Corporation go to every field and purchase cotton. The fact of the matter is that since the 6th of December, since these 4 months, they have purchased 40,000 bales. 40,000 bales are purchased on the telephone from a *kakha* in Parliament Street and he talks about large number of centres having been opened, which is only to misguide us because 40,000 bales is nothing. If he had held something like 5 lakh or 10 lakh bales I would have understood his concern about credit facilities. When a trader complains about credit facilities, Government turn a deaf ear to him, because of Shri Indrajit Gupta and the criticism that he makes. But the Government themselves are now feeling the pinch of credit facilities and find that without credit facilities they cannot buy the cotton. The statement says that.

"We have advanced Rs. 4 crores to the Cotton Corporation"

But what good is Rs. 4 crores? If only they would have advanced Rs. 4 crores to the trade, they would have been able to purchase Rs. 12 lakhs worth of cotton. So, they have this sort of rigmarole going on.

Further, the hon. Minister says in the statement ;

[Shri Piloo Mody]

'In this context, I am happy to announce that the present stock limits have been uniformly increased by one month'

But why now? Why not when it was necessary a couple of months ago?

Then, Government talk of floor prices. The floor prices that have been fixed by Government have been about half the prevailing market prices. What is the earthly meaning of floor prices then? The floor price is supposed to be a subsistence return on the investment made. But subsistence return is no substitute for an economic or remunerative return.

The hon. Minister talks of prices and compares them with the prices in March and the present prevailing prices. Apart from the fact that his figures, for a change, were correct, why does he not compare the figures in January, 1971 with the figures that are prevalent today? If he does so, he would find that all the figures are about 50 per cent or 60 per cent or 70 per cent of the prices that prevailed in January 1971. Government must realise in other words that it was the prices prevalent in January 1971 which made it so profitable for the growers to grow this cotton that he has today been presented with a bumper crop.

As I said on an earlier occasion this Government is incapable of a mentality of abundance. As soon as there is abundance of any commodity, they lose nerve, they dither and they never want to enjoy it, on the other hand, they want to have shortages only because then they can twist and turn and screw the citizen in a manner in which they can make the maximum money out of it. Here, you have an abundant crop of cotton, and it has become a problem for them.

Who are the people whom I want to help? I want to help primarily the grower and ultimately the consumer. Everybody in between is irrelevant. For helping the grower and ultimately the consumer, Government have to frame a policy based on stable prices. Therefore, I recommend to Government if they want to do anything that they should immediately bring relief to these people. The first thing that they have to do is to make the Cotton Corporation buy on a massive scale,

not 40,000 bales, but 5 lakhs bales or 10 lakh bales. It is quite obvious that neither the Government are equipped nor does the Cotton Corporation have the expertise, if I were to sell them wool instead of cotton, they would buy that wool also, as a matter of fact it is not difficult to pull wool over their eyes. This is the condition of the Cotton Corporation. Therefore I suggest that Government should make use of whichever traders are available, particularly the large and reputable traders and appoint them as their agents to purchase cotton on their behalf so that they will make a good deal out of it and supply it to the consumers also.

Since I have to end by asking a question — actually I have been giving advice to them so far—I would like to ask whether they are going to do what I have advised them to do.

**SHRI A C GFORGL** The hon. Member has presented a picture of gloom and the impression was created that while 60 lakh bales of cotton were available in the country as indigenous production, it was only the Cotton Corporation which was in the market to buy that cotton. That is a fundamental fallacy. The Cotton Corporation is a commercial corporation in the public sector stepped into the field only for stabilising the prices. It is a question of simple arithmetic. I do concede that when 60 lakh bales of cotton are available it is not enough if a commercial corporation purchases only 40,000 bales. But you must remember that the normal trading operation is also there. The public sector is moving in only to boost it and stabilise it.

**SHRI JYOTIRMOY BOSU (Diamond Harbour)** With that small quantity of purchase.

**SHRI A C GEORGI** We have only started.

**SHRI PILOO MODY** The remedy for pneumonia is a pill, aspirin.

**SHRI A C GEORGE** An agricultural crop estimate was made in the early part of the year. Subsequently, depending on so many factors like climatic conditions, monsoon, etc. the crop situation improved. I made out in the beginning itself that we were expecting only a production of 55 lakh bales. Subse-

quently, weather conditions which are normally beyond our control were more favourable...

SHRI JAGANNATHRAO JOSHI (Shajapur) : That is a good thing, of course.

SHRI PILOO MODY : He is complaining now that the weather was favourable to us !

SHRI A. C. GEORGE : Not that, I am happy about it. The only thing was that we did not know that it would be so good as the elections. Now we are estimating the crop which is much better than what we thought of earlier. Assuming a crop of 55 lakhs, we asked the Cotton Corporation to move in. Of course, if the situation so warrants, we can move in in a massive way. Nobody prevents that. When the hon. member was referring to 40,000 bales, he said it was a paltry thing. In the beginning itself, I told the House that we have already invested Rs. 4.92 crores. So you can imagine how much money will have to be shelled out if a public sector corporation like the CCI is to purchase a lakh of bales.

SHRI PILOO MODY : Twenty times what you have already spent.

SHRI A. C. GEORGE : The hon. member was again referring to the price of January 1971. At the beginning itself, I said that the 1971 January price was high. The normal comparable prices are those prevailing in 1969-70. Those were the figures which I quoted. There was no confusion there. The price of 1970-71 was extraordinarily high. This cannot be compared with the price of a normal year.

SHRI P. M. MEHTA : He forgets that the cost of production has also gone high.

SHRI A. C. GEORGE : Government are aware of the situation. As was explained earlier, we have already relaxed the stock limits. We will give more credit facilities. More purchase points will be opened. Already there are more than 41 of them. In an operation of this type, I do not think that even the hon. member expects that we will be opening a purchase centre in every field. We are putting up centres in market places, wherever it is considered vital from the commercial point of view.

Again I assure you that we are quite aware of the prevailing situation and every measure will be taken to see that the difficulties of the farmers are overcome to a great extent.

12. 24 hrs.

## PAPERS LAID ON THE TABLE

### PAPERS UNDER COMMISSIONS OF INQUIRY ACT AND ALL INDIA SERVICES ACT

THE MINISTER OF STATE IN THE MINISTRY OF HOME AFFAIRS (SHRI K. C. PANT) : On behalf of Shri Ram Niwas Mirdha, I beg to lay on the Table :

- (1) A copy of the Central Commissions of Inquiry (Procedure) Amendment Rules, 1972 (Hindi and English versions) published in Notification No. G.S.R. 198 in Gazette of India dated the 19th February, 1972, under subsection (3) of section 12 of the Commissions of Inquiry Act, 1952. [*Placed in Library. See No. LT—1512/72.*]
- (2) A copy each of the following Notifications (Hindi and English versions) under sub-section (2) of section 3 of the All India Services Act, 1951 : —
  - (i) The Fifteenth Amendment of 1971 to the Indian Administrative Service (Pay) Rules, 1954, published in Notification No. G.S.R. 1688 in Gazette of India dated the 13th November, 1971.
  - (ii) The Indian Administrative Service (Fixation of Cadre Strength) Fifteenth Amendment Regulations, 1971, published in Notification No. G.S.R. 1689 in Gazette of India dated the 13th November, 1971.
  - (iii) The Sixth Amendment of 1971 to the Indian Police Service (Pay) Rules, 1954, published in Notification No. G.S.R. 1792 in Gazette of India dated the 4th December, 1971.