

**Mr. Deputy-Speaker:** The question is:

"That the Bill be passed".

*The motion was adopted.*

16.34 hrs.

**RESOLUTION RE: EXPORT DUTY ON LAC**

**The Deputy Minister of Commerce and Industry (Shri Satish Chandra):**  
Sir, I beg to move:

"In pursuance of sub-section (2) of section 4A of the Indian Tariff Act, 1934, (32 of 1934), the Lok Sabha hereby approves of the notification of the Government of India in the Ministry of Commerce and Industry No. S.O. 2427, dated the 6th October, 1961 by which an export duty of Rs. 160 per tonne of 100 kgs on seed lac and shellac including Button lac and garnet lac and an export duty of Rs. 125 per tonne of 1000 kgs on all types of lac other than seed lac and shellac including Button lac and garnet lac were levied from the date of the said notification."

Some time ago a notification was placed on the Table of the House, and I am moving this Resolution in pursuance of the statutory obligation. The object of this notification was to mop up the high profit being earned by the exporters in the lac trade. The price that was being paid to the cultivators during the last few years was very much less as compared with the price which was being realised in export sales. The object of the Resolution and of the Notification that has been placed on the Table of the House is, firstly, to bring down slowly the export price so that substitutes do not replace the use of lac or shellac. On the other hand, the growers who were being paid by the exporters a very low price, should be enabled to get a higher price. Several steps are taken in this direction and a scheme has

recently been announced by the Government to regulate the lac and shellac export trade.

It was about three years ago that this item was brought under export trade control. There was a voluntary scheme the implemental of which was left to the Indian Lac Exporters Association. The intention was that they would operate a buffer stock. They would purchase stock from the growers and manufacturers of lac and shellac when the price in the internal market went down below a certain level and sell it when it went above a certain level. The buffer stock operation did not materialise because the Exporters Association could not manage the finances necessary for such an operation. It has been decided recently that the State Trading Corporation should undertake the buffer stock operations. The minimum export price which was fixed some time ago was Rs. 70 per maund while the price which was being paid to the growers and manufacturers was a little less than Rs. 50 per maund. So, there was a difference of about Rs. 20 per maund. A price of Rs. 70 is now considered too high in view of the substitute which are always threatening to displace lac and shellac. A price of Rs. 64 per mnd. is considered to be more reasonable. On the other hand, a price of Rs. 40 or 50 paid to the growers or manufacturers is too low. The idea is, whenever the price goes down below Rs. 56 per maund ex-godown Calcutta, the S.T.C. should come in and start purchasing shellac and lac in the market. Whenever the price goes above Rs. 56, the S.T.C. should begin to sell these stocks to the exporters, so that there is stability in the prices of lac and shellac, the grower gets fair price and the foreigner importer does not look to substitutes. That is one of the main objects of this scheme. Fifty-six rupees will be the average price at which this buffer stock will be operated and Rs. 64 will be fixed as the minimum export price. There would still be a margin of Rs. 8. The export duty which is being fixed

comes to about Rs. 6 per maund in the case of lac and shellac and Rs. 5 in the case of the inferior varieties. A sum of Rs. 2 or 3 will still be left to cover expenses and to allow a fair margin of profit to the exporter. This scheme is being introduced partly to stabilise prices, partly to ensure a fair price to the grower and partly to earn sufficient foreign exchange at a price at which shellac can be sold in the external market without danger of losing ground to substitutes. In order to achieve these objectives, the State Trading Corporation will operate the buffer stock. With all these objectives in view, this scheme has been put into operation. I am moving this resolution so that the House may approve of the scheme and the levy of export duty which is being collected with effect from 6th October, 1961.

The State Trading Corporation has started purchases in Calcutta, of the stocks lying in the godowns of merchants and exporters, and shortly, as the new crop begins to come to the market, will start purchases at several centres such as Gondia in Maharashtra, Balarampur in West Bengal, and Ranchi and Daltonganj in Bihar; godowns are being established, and within a few days, the State Trading Corporation will start purchasing lac and shellac, which it will keep in its own godowns and release it if the prices go above Rs. 56. It will start purchasing at the current rates.

I hope that the House will approve of this measure which is in the interest of the growers as also in the interest of exports. By doing so, we shall be earning more foreign exchange than what we have been doing up till now. It is expected that it would be possible to export greater quantities of shellac to foreign countries at a reasonable price, and also that it would be possible to eliminate the danger of new synthetic chemical which can replace the use of lac and shellac.

Sir, I move.

**M. Deputy-Speaker:** Resolution moved:

1600(Ai) LSD—9.

"In pursuance of sub-section (2) of section 4A of the Indian Tariff Act, 1934, (32 of 1934), the Lok Sabha hereby approves of the notification of the Government of India in the Ministry of Commerce and Industry No. S.O. 2427, dated the 6th October, 1961, by which an export duty of Rs. 160 per tonne of 1000 kgs on seed lac and shellac including Button lac and garnet lac and an export duty of Rs. 125 per tonne of 1000 kgs on all types of lac other than seed lac and shellac including Button lac and garnet lac were levied from the date of the said notification."

**Shrimati Renu Chakravarty (Basirhat):** As the hon. Deputy Minister has already stated, the condition of the lac growers has been deteriorating very fast. As he has already mentioned, just a few months ago, I had approached the hon. Minister and told him about the situation as it prevailed in Balarampur, in Jaldha and in the area of Purulia etc. in West Bengal. The lac industry is a particularly important industry because it is really in the nature of a cottage industry, and a very large number of growers are interested in it or rather dependent on it as also the small manufacturing units which are called "kuthis". These are small units employing about hundred workers and sometimes two hundred workers or so, and they are dotted right throughout Purulia district, Jaldah, Balarampur and all those areas such as Rangadih etc.

What was happening was that this lac was being purchased at a very low price by the big exporting houses, and they were depressing the prices both for the grower as well as for the manufacturer. Whilst the ex-godown prices in Calcutta used to be low, the export prices used to be high. We had pointed this out with very specific instances, to the hon. Deputy Minister, and I am glad that finally something is being done to mop up the excessive profit which these big houses were making.

[Shrimati Renu Chakravartty]

But, what I want to place before the hon. Deputy Minister is this. I have before me here a representation which fortunately I had received yesterday from the Chapra Byapari Sabha at Balrampur, which is the organisation of the small units of manufacturers in the Balrampur and Purulia areas, where they are stressing that the steps which have been taken up till now to help the growers and also the small manufacturing units have not been of much benefit to the small manufacturers.

For example, one of our demands at the time when I met the Deputy Minister was that the STC should enter the market. I am grateful that the STC is now entering the market. The hon. Deputy Minister has also told us about the purchase of seedlac at fixed prices. But I want to point out to the hon. Deputy Minister what I have received from the Byapari Sabha.

They say that the State Trading Corporation of India announced on the 25th October that they would purchase some grades of seed lac at a fixed price, but on enquiry from the Regional Manager of STC in Calcutta, it was learnt that they had no information of such announcement. Now, the STC must be better informed and better equipped to deal with these very widespread and far-flung units which are very small units, and they should do it in a businesslike manner.

On 1st November, a meeting was held in the office of the State Trading Corporation at Calcutta and there these representatives were also called to attend. The Director of the STC as well as the Joint Divisional Manager of SAC addressed them. Now the STC have called for tenders for purchase of certain grades of seed lac and have announced some terms and conditions for the same. I would like the hon. Minister to look into these terms and conditions, because the small units feel, that this

has not helped the smaller manufacturers and growers. The announcement made by Government is a step in the right direction, but we should also be aware that when we are taking this step, we should try to help as far as possible the small growers. Most of them are tribal people who grow it in jungles or on little plots of land. Help should also be given to the small manufacturers.

Therefore, I would request him to look into this matter. I give my support to this action of Government. It is very necessary to mop up the excessive profits on the sale of this commodity. While the exchequer will mop up this money, we should also see that the object with which we have introduced this measure, to help the poor growers and the small manufacturing units, is implemented. I say this because we talk about cottage industries and their being helped, but as a matter of fact, we often fail to implement that objective in practice. Therefore, I would request the hon. Minister to look into this particular point and do the needful.

**Shri Aurobindo Ghosal (Uluberia):**  
I am glad to learn about the scheme which has been introduced recently. But the benefit has not yet reached the growers. Previously there was racketeering in this industry. The growers were given a price of only Rs. 15 per maund. In that area, a maund is calculated on the basis of 45 seers. So it actually works out to Rs. 13 per maund. The exporters used to earn about Rs. 20 per maund as profit alone. This was the position. The growers were being fleeced by the middlemen who used to collect the produce from them. The case of the growers was being neglected by Government. For a long time, we have been demanding a floor price for this commodity for the lac growers.

Lac is one of the monopolies of India. Recently, of course, Thailand

has been sending about 10 per cent of the lac to importing countries. But it is of an inferior quality. Because there were no regulations on export, the exporters entered the international market and they were bringing down the price by internal competition. For that reason, there was anarchy prevailing in the whole lac industry.

Now we are glad that the STC has entered the field. There is one particular variety of lac. I do not know what is the technical name for it. But it is called stick lac. I suggest that a heavy duty should be imposed on this stick lac. Seeds can be collected from this. Therefore, it will go against the interest of the nation if we allow this stick lac to be exported outside India. Hence, a heavy duty should be imposed on stick lac.

Another point is this. Out of the export duty that will be earned by Government, some portion may be diverted for the benefit of the growers, because the growers have not received the benefit that they should have obtained from this commodity which is one of our most important foreign exchange earners.

**Shri Heda** (Nizamabad): While supporting the resolution I would like to make only two points.

The first is that the Government's intention of eliminating the middle man, who has been getting disproportionate profit in this trade, will not be served by this notification alone. As was pointed out, if the STC purchases from the same middlemen, it will not serve the purpose. Therefore, it should either appoint its own agents and purchase from the small growers in these areas, or in the alternative, it should announce the prices in those markets, so that the commodity is only purchased at that rate, and they may pay the middleman whatever profit they consider necessary plus the transport charges etc. Unless this is done, there will be no protection to the small growers

or producers. Since the hon. Minister comes from Mysore State which is known for coffee, and we have done wonderfully well in coffee, I would expect the Ministry to take the cue from the Coffee Board and act on similar lines.

The second point is that when Government or the STC makes a good margin in this trade, where should that margin go. Should it go entirely to the Government in the shape of export duties, or as profit to the STC? My plea is that we should act on the lines of the Coffee Board. At least half the margin that the STC earns should be ploughed back to the growers either on the lines of the Coffee Board, or in an indirect way by increasing the price for the next year. This way, the small grower would be encouraged, and he would be able to make out a better livelihood than he does now.

**Shri D. C. Malik** (Dhanbad): I support this resolution. I am a Member of the Lac Cess Committee. I belong to Bihar which is the biggest lac-producing State in the country, and also to Chota Nagpur which produces most of the lac in Bihar.

In this lac industry, five interests are concerned. The first is the grower, mostly the poor Adivasis and other people. Their interest is to be considered first. The second is the middle man. They generally go to the villages and collect lac at a very low price from the growers. They are crafty and clever small traders. Then comes the manufacturer who buys the raw lac and manufactures shellac and other things out of the said lac. Then come the exporters, the villain of the piece. They are worst people in this trade. They are big and crafty businessmen, getting most of the profit in the trade. Whereas the growers have to sell their product at Rs. 15 for 45 seers, because in the market for lac, 45 seers make a maund, these exporters make a profit of at least Rs. 20, and it is these exporters who are primarily responsible for the downfall of this market. The price

[Shri D. C. Mallick]

of lac was Rs. 130 at one time, and that has come down, as the hon. Deputy Minister said, to Rs. 70. This is a queer thing in lac economics, because India is the main exporting country. Formerly it was our monopoly. By our foolishness in allowing exporting of stick lac, we have allowed Thailand to grow some inferior variety of lac, and that export does not exceed 10 per cent. The prices have come down because of the bad management of the affairs on the part of the Government officers entrusted with the duty. Demand is not less, production is less, foreign competition is not greater. Then, why is the price less, why has it fallen? It is a queer thing.

The exporters have put up this artificial situation. Has our Government ever sent its representatives to foreign countries to study the position? They have not done it. The STC has taken to the purchase of lac. That is good. Why do they not take the position of the exporters? I have said before that we should fix the minimum price below which no body will be allowed to purchase raw lac. Why did you not listen to it. Government Officers are more interested in the exporters than in the growers. That is the first point. The second point so that we can earn more foreign exchange. We should so manage the lac trade that the export price increases so that we can earn more foreign exchange. That cannot be done unless the exporters are eliminated from the market. They are always trying to get as much profit out of the deal as they could and never looked to the interest of the people. My proposal therefore is that the minimum price should be fixed for the growers and there should be State trading. Exporters should be eliminated. It was said that there could be no such minimum price fixed because we cannot enforce the order. Is this an argument? We have fixed the minimum price of paddy. Could that not be enforced? So, these proposals should be implemented.

**Shri Barman** (Coch-Bihar Reserved—Sch. Caste): Mr. Deputy Speaker,

I congratulate the hon. Minister and his department for introducing this step.... (An Hon. Member: They did it under pressure). The growers were absolutely left in the lurch and were entirely in the mercy of the traders. The Government have at last come to the help of the lac growers and relieve their distress as much as possible. I simply ask the Government to introduce the same principle and enter into the jute market. The jute growers are also in the same predicament and they should take note of this.

**Shri Satish Chandra:** Sir, I have very little to add in view of the fact that the hon. Members who have spoken have all welcomed the measure. I am grateful to them. Shrimati Renu Chakravarty said that tenders in Calcutta will not help the small growers. I have already said in my opening remarks that initial purchases have started in Calcutta but the intention is to go to the mofussil markets, to the *mandis* where this shellac and lac arrive direct from the growers. It is, however, not possible to accept the suggestion that the Government should purchase the raw lac. When it is produced and brought to the market by the grower it is not in a form in which it can easily be stored. It has to be processed by numerous small manufacturers as has been pointed out by Shrimati Renu Chakravarty. These are small units, cottage industry units, where raw lac is processed into stick lac or seed lac and the STC purchases will be confined only to seed lac which can be stored for some length of time. It is necessary to maintain and operate a buffer stock. There are so many small manufacturers of seed lac at every centre. That by regulating the prices of seed lac the prices of raw lac are bound to be regulated. There are hundreds of manufacturers in a place. If we fix a price and the STC purchases at a certain rate from those manufacturers, there is bound to be an element of competition between the manufacturers to pay reasonable price to the growers and offer their

goods to the STC. The price of raw lac would be automatically regulated.

17 hrs.

**Shri Ueda:** If there is no competition, there may be an understanding.

**Shri Satish Chandra:** If there are 100 or 200 small manufacturers; the prices of the raw lac would be automatically regulated.

**Shri D. C. Mallik:** The interest of the manufacturers is diametrically opposite to the interest of the growers. So, they will never purchase at a high rate when they can purchase at a small rate. What is the harm in having a minimum price for raw lac for the growers.

**Shri Satish Chandra:** In that case, the remedy will have to be that the STC replaces all the small manufacturers and starts manufacturing operations itself. Otherwise, there is no means by which the statutory price or fixed price can be enforced for the primary product. The price would have to be fixed at the stage at which the goods are taken over by the STC for being stored in its own godowns.

This was the only point which was raised by the Members. I would submit that the suggestions of the hon. Members will be kept in mind. It will be possible for us to think of ways and

means of ensuring a fair price to the grower. There is no difference in objective. If some improvements have to be made later on, we shall certainly look into it.

**Mr. Deputy-Speaker:** The question is

"In pursuance of sub-section (2) of section 4A of the Indian Tariff Act, 1934, (32 of 1934), the Lok Sabha hereby approves of the notification of the Government of India in the Ministry of Commerce and Industry No. S.O. 2427, dated the 6th October, 1961 by which an export duty of Rs. 160 per tonne of 1000 kgs on seed lac and shellac including Button lac and garnet lac and an export duty of Rs. 125 per tonne of 1000 kgs on all types of lac other than seed lac and shellac including Button lac and garnet lac were levied from the date of the said notification."

*The Resolution was adopted.*

**Mr. Deputy-Speaker:** The House will now stand adjourned till 11 A.M. tomorrow.

17:03 hrs.

*The Lok Sabha then adjourned till Eleven of the Clock on Thursday, December 7, 1961/Agrahayana 16, 1883 (Saka).*