

**Review of the activities of the various Boards under the Department of
Commerce by Shri Jairam Ramesh, Minister of State for Commerce**

22-23 March, 2006 – Guntur & Ongole, Tobacco Board

On 22/03/06 the Hon'ble MOS, Commerce visited the Tobacco Board Auction platform in Ongole and participated in a meeting with tobacco farmers organized by the Tobacco Board (TB). The MPs of Ongole and Narasaraopeta and District Collector, Prakasam Dt accompanied the MOS. The Chairman (FAC), TB and his staff were present.

On 23/03/06 the Hon'ble MOS, Commerce reviewed the activities of the TB in the office of the TB at Guntur. The MPs of Guntur and Tenali participated. The District Collector, Guntur was present. The Chairman, TB gave a presentation on the activities of TB. After the presentation there was an interaction with the Tobacco farmers and Trader.

The following are the issues:

1. **SANCTION OF ADDITIONAL AUCTION PLATFORMS:** On the request of TB the Ministry of commerce vide letter dated 27/2/06 communicated the sanction of GOI to operate 3 additional auction facilities temporarily during ongoing 2006 AP auctions. TB could not initiate construction of its own platform as sanction is only for current year. The TB requires sanction of GOI for establishment of 3 additional auction platforms on permanent basis with staff component for smooth conduct of auctions. The farmers represented that only then they will be able to sell tobacco within 3 months without any loss in weight and quality. At present they are losing nearly Rs.40 to 50 crs by way of loss in weight and quality due to abnormal delay in marketing.

Decision: The MOS agreed for running these 3 additional platforms on a permanent basis with the staff taken on contract basis. The TB will bear the cost of outsourcing.

2. **EXTENSION OF SUBSIDY TO SULPHATE OF POTASH (S.O.P):** On account of ban on usage of M.O.P in tobacco cultivation as it impairs quality of tobacco, the farmers have to compulsorily use S.O.P. But there is no subsidy on S.O.P in contrast to subsidy of Rs.6000 per ton on M.O.P. which is working out to Rs.1500 Crs per annum. The TB has proposed to GOI to consider extending subsidy to S.O.P @ Rs.8000 per ton which would enable the availability of S.O.P at Rs.500 per 50 kg bag as against the present rate of Rs.800. The extra burden on the exchequer would be around Rs.20 crs.

Decision: MOS announced that he had spoken to Secretary, Fertilizers

3. **CROP DIVERSIFICATION:** The Collector, Prakasam appraised the MOS on the initiatives taken up by the Dt Administration to convert 4500 Hc of tobacco

crop to Bengal gram, Casuarina and Eucalyptus. The MOS told the farmers that tobacco is not the crop of the future and it is in the economic interests of the farmers to move to other crops. In this regard he announced that in the transition period of crop diversification the farmers will not be left to the market forces and their interests will be protected by both the GOI and State govt.

Decision: (a) MOS announced that in the next 10 years 50% of the area or atleast 1 lakh acres in AP out of 2.5 lakh acres under tobacco crop to come under alternative crops.

(b) The TB to examine viable alternatives for the tobacco farmers who are willing to go for alternative crops.

(c) MOS directed the TB to establish Bio-technology Park at Ongole to demonstrate to the Farmers the various alternative crops available. The DC, Prakasam promised to handover required land free of cost to TB.

4. **RESTRUCTURING TOBACCO BOARD:** There were many speakers from the farming community who expressed the opinion that the TB is anti-farmers and pro-Traders. The MOS expressing confidence in the functioning of the TB so far assured the Farmers categorically that TB will continue to work for the benefit of farmers only. However to further improve the functioning of the TB in the light of changed circumstances re-structuring, if needed, will be taken up.

Decision: MOS announced that IIM, Calcutta, which had done the detailed study of the three commodity boards, viz., Rubber, Coffee and Tea Board, will be entrusted with the similar task on TB.

5. **REMUNERATIVE PRICES TO FARMERS:** One common theme in all the speeches at the Farmers meet in Ongole was to bring in an element of competition in the market system, which is monopolized by ITC, by opening of tobacco industry to FDI from major players of the world tobacco industry. MOS explained that tobacco being a de-merit crop it is highly unlikely that FDI will be seen as a solution. MOS suggested that other alternatives like electronic auctioning can be examined.

Decision: TB to study the feasibility of introducing electronic auctioning on the lines of Tea Board. (b) MOS said that a meeting will be arranged with Chairman, ITC.

6. **PREPARATION OF ROADMAP TO INCREASE EXPORTS IN THE NEXT 5 YEARS:** The Indian Tobacco Association (ITA), Guntur, which is the single largest body representing the exporters, manufacturers of the tobacco industry in the entire country, raised many issues that needs to be addressed. While agreeing to look into the problems the MOS requested the ITA to work out a roadmap along with TB to improve our exports to markets being vacated by countries like Zimbabwe and China.

Decision: ITA and TB to prepare a roadmap to increase exports from present level of 6.5% to 10% in the next 5 years

7. **USA – TARIFF RATE QUOTA:** The TRQ is sub-divided into specific allocation for 9 countries and a general allocation for other countries. India comes under “others” category which has a quota of only 3000 tons. The ITA requested the MOS to get specific allocation for India for 10,000 tons.
8. **IMPORT TARIFF:** (a) There is no uniformity of import tariff amongst SAARC countries. It is 15% in Bangladesh, 18% in Nepal and 88% in SriLanka. Since all the 3 countries import Indian cigarette type tobaccos, the applicability of a lower uniform tariff in these countries will help significantly boost Indian tobacco exports.
(b) Though the EU grants Indian tobacco imports preferential status under GSP, the imports from Zimbabwe and Bangladesh attract nil duty giving them tremendous competitive advantage. Application of uniform import tariffs for tobacco into EU would facilitate enhanced trade by providing an equal footing, as the EU is the largest importer of Indian cigarette type tobaccos.
9. **SANCTION OF RISK ALLOWANCE** : The TB has submitted proposals to the Ministry for sanction of risk allowances to the employees of TB working under health hazardous conditions.

19 May & 21 May, 2006 – Guwahati/Kolkata, Tea Board

1. The respective State governments and other statutory authorities would be requested to strictly monitor and take remedial measures for the implementation of the Plantation Labour Act and all other Central and State Legislation for the welfare of workers.
2. The Tea Board, with the help of Trade Unions, Tea associations and estates where similar models are working successfully would develop a viable business model for sale of green leaf by workers’ Self-Help Groups. To begin with 2 closed gardens each from Assam, Kerala and West Bengal would be taken up. A business model for workers’ SHG for the full running of an integrated tea estate would also be developed.
3. All the stake holders would assist the Tea Board to work out a ***definitive road map for the introduction within a period of one year***, a system of primary marketing largely thorough a transparent system of auction.
 - The road map would set milestones for the large scale introduction of e-auctions ultimately leading to a replacement of the manual auction system,
 - the introduction of ex-garden sale under the aegis of the auction system,

- providing incentives for the auction route both by the State and Central Governments and
 - Other innovative measures and reforms of the existing system so that the market functions without distortions.
4. The Tea Board as the licensing authority would expeditiously dispose off any application submitted before it by the Guwahati Tea Auction Committee or any other responsible body for the setting up of new auction centers at Dibrugarh and Jorhat. The Hon'ble CM, Assam has given his consent for this proposal during the course of discussions with MOS on 19/05/06 at Guwahati.
 5. The Government of India would review the rates of incentive presently payable to the producers of orthodox tea and would examine whether an additional incentive could be given for the production of organic tea.
 6. The overseas markets of Pakistan, Egypt and Iran would receive particular focus as potential markets for Assam tea; existing markets such as the UK would also be targeted.
 - With specific reference to export of tea to Pakistan, MOS shared his interaction with Minister of Commerce, Pakistan in Dhakh recently. ***He wanted the deliberations to continue and expressed his willingness to lead a delegation to Pakistan in mid July.***
 7. The Tea Board would launch a sustained campaign for the domestic promotion of tea, both in the print and the electronic media.
 8. The Government of India would look into the demand placed before it on the extension of general transport subsidy available in the North Eastern States to the plantation sector.
 9. The matters relating to setting up of the proposed Special Purpose Tea Fund for uprooting-replanting and rejuvenation pruning would be taken up for expeditious disposal so that the benefits from the SPTF could start flowing by the time the winter-dormancy period begins in North East India.
 - The State Governments and Trade Unions shall be taken on board while preparing the blue print on the operationalisation of the Fund. ***It was agreed that a blue print would be ready by June 30th.***
 - On the lines of IBEF the Tea Industry to support establishment of a post of CEO to have focused attention on the implementation of various provisions of the Fund.
 10. The Tea Board would take steps so that the implementation of the price-sharing formula for the small growers introduced from April 2004 is significantly improved and the schemes itself suitably amended.

11. The Tea Board to explore the possibility of opening India Tea Centre at Teheran and Cairo. To work with ITA and UPASI.
12. MOS observed that India, in spite of being the largest tea producer in the world does not host any international event while non-producing countries like Dubai has such events.
 - The Tea Board to conduct International Tea festival once in every 2 years. *To begin with in June, 2007 at Guwahati* and to make it an event on the International Tourism calendar
13. The following issues have been flagged for immediate follow-up action by the Tea Board.
 - Preparing roadmap for moving up the value-chain like green-tea/organic tea
 - To support development of a logo for North Bengal
 - TRA to have a dedicated team to support small growers in Assam

June 7, 2006, Kochi, Spices Board

MOS chaired the review meeting of Spices Board (SB) held in the Office of Spices Board, Kochi. APC, Govt of Kerala and Regional Director, NHM participated in the review meeting. Later MOS interacted with the stakeholders – Cardamom Growers Association, Organic Spices Growers Forum and Vanilla India Producer Company Limited. The Chairman, Spices Board gave a presentation on the production and export of spices – pepper, cardamom, chilli and vanilla. He highlighted the problems being faced by the respective sector and the steps to be taken to solve them.

The Chairman, SB highlighted the following in his presentation:

1. Share of India in World Trade in Spices: 2005-06
 - a. Quantity – 3,20,527 MT (43%)
 - b. Value – \$517.90 mn (31%)
2. Production, Export and Import of selected Spices (MT) : 2005-06
 - a. Pepper – 49000, 16700, 16870
 - b. Cardamom (Small) – 12540, 875, 345
 - c. Cardamom(Large) – 5185, 0, 4975
 - d. Chilli – 1233500, 113250, 0
 - e. Vanilla – 188, 72, 0
3. Export of Value Added Spices : 2005-06
 - a. Whole Form - \$177 mn (34%)
 - b. Value Added Form - \$341 mn (66%)
4. Indian Spice Industry
 - a. 1998 Regd Exporters
 - b. 364 Manufacturer Exporters
 - c. 55 Spice brands regd with the Board

The review and discussion with the stake-holders was taken up sector-wise – pepper, cardamom, chilli and vanilla. ***MOS observed that SB is perceived as kerala-centric in its functioning and requested the new Chairman to strengthen the presence of SB in other areas like chillies in AP and explore pepper and vanilla as intercropping in tea gardens of NE.***

After detailed discussions with the various stakeholders the following issues have been flagged for immediate action:

1. The Chairman, SB informed the MOS on the follow-up action taken on all the issues pertaining to Chillies raised during the visit of MOS to Guntur. Regarding Solar Polyhouses the SB would be establishing 100 in this year 2006-07 through SHGs. The SB will enter into an MOU with the Dt Mahila Samakhya or with the respective Mandal Mahila Samakhyas. The Dt Collector, Guntur and CEO, IKP will co-ordinate in this regard. ***It was decided that MOS would be inaugurating the first solar polyhouse in Guntur on Nov 10th.***

Regarding IPM, Board is taking up 5000 Ha in 2006-07 in Guntur, Prakasam and Warangal through IKP. This would be a pre-cursor to organic farming which will be taken up next year.

2. Cardamom with an extent of 73,725 ha of planted area provides livelihood to about 30,000 small growers in Kerala, TN and Karnataka. Kerala has the major share of 41,378 ha. The industry is going through a very serious crisis since 2003-04 as a result of continuous fall in prices from Rs.622.87 in 2001-02 to Rs.218.12 in 2005-06. The main reasons for crash in prices
 - a. Fall in prices of cardamom in the international market as a result of large scale production in Gautemala to the extent of 25,000 MT
 - b. Large scale influx of gautemala cardamom by smuggling through Nepal.
 - c. Productivity enhancement is very impressive having tripled in 15 years but limited domestic consumption.
 - d. Exports have shrunk from 3272 MT in 1985-86 to 650 MT during recent years because of stiff competition from Gautemala.

After thorough discussion with the stakeholders it was decided that the following actions would be initiated:

- a. Implementation of electronic auction
 - b. Curbing illegal imports through Nepal by DRI
 - c. Aggressive Advertising campaign for increasing domestic consumption by SB.
 - d. Replantation of senile plantations at the rate of 3000 ha/yr for the next 5 years.
3. Chilli export is badly affected by the presence of aflatoxin and pesticide residues and stray cases of Sudan Red-1. In view of number of RASFF cases SB has

decided that all consignments of chillies/chilli products prepared for export to any destination shall be subjected to mandatory sampling for analysis of Sudan dye/aflatoxin. MOS felt that SB should take up a massive campaign on this testing process so as to instill confidence in the importers and fear in the minds of the exporters. This measure would over the years have the impact of enhanced reputation of Indian cardamom in the global market.

4. Kerala accounts for 2,08,000 ha under pepper cultivation. It is estimated that 30% i.e 68,000 ha are senile plantations and require a well structured re-plantation programme to be implemented in the next 5 years that is estimated to cost around Rs.370 Crs. National Horticulture Mission already has Peeper Development programme to take up re-plantation in 10,000 ha in 2006-07. In view of the criticality of this programme MOS suggested setting up of Special Purpose Pepper Fund on the lines of SPTF with NHM, NABARD, GOI and State Govts sharing the cost. The implementation would be done through the State Horticulture Mission. MOS requested the APC to make SB the implementing agency in Idukki and Wyanad dts in view of its presence since a long time in these dts.
5. Pepper exports to Pakistan have good potential if import duty in Pakistan is levied at 5% on par with Vietnam as against the present rate of 25% as there is a good potential to ship out atleast 10,000 Tons of pepper to Pakistan. The Exporters requested MOS to use the SFN status and other bilateral agreements to bring down import duty to zero.
6. MD, Kerala MARKETFED represented to the MOS that inspite of procurement of 4755 tonnes by Marketfed, the domestic price of pepper did not improve because of the abnormal increase in import of pepper at zero duty from Sri Lanka under the FTA. Although these peppers are expected to be re-exported, after value addition, it is being actually diverted to the domestic market. In this regard the following suggestions were made to MOS for immediate intervention:
 - a. A quantitative restriction on import of pepper from Sri Lanka may be imposed such as 50% of the domestic production of that country
 - b. Pepper imports may be taken out of the FTA agreements so that reasonable duty is paid on the import of pepper
 - c. The pepper import from Sri Lanka may be restricted through Cochin port for effective monitoring of the quantity imported.
7. In view of large scale pepper production in the tribal areas of AP the Hon'ble CM of AP has written to MOS for opening up of a SB office in Paderu to provide necessary technical support and extension services to the tribal farmers. In view of the extremist activities in the Agency areas of Visakhapatnam MOS agreed for opening the office in the premises of ITDA at Paderu.
8. While discussing on the institutional research support to SB and the Board linkages with the institution it was brought to the notice of MOS that the Director

(Research), SB is not a member of Research Advisory Committee of Indian Institute of Spices Research (IISR) which is under ICAR. But the Director of IISR is a member of SB.

9. MOS was very impressed with the concept of *Flavorit* introduced for the purpose of
 - a. Re-establishing once popular grades of Indian spices
 - b. Entering indian spice brands to mainstream markets
 - c. Offering authentic Indian spices to valued consumer
 - d. Improving farm gate prices for spice growersMOS wants SB to take up an aggressive campaign for pushing flavorit in the domestic market, especially North Indian markets which is dominated by monopoly traders and illegal unaccounted trading systems.
10. Kerala state accounts for large areas under spices and the need for SB to be working in close co-ordination with the Govt of Kerala cannot be over-emphasized. MOS was surprised to hear from the APC that he is not a member of Spices Board. MOS directed the Chairman, SB to induct APC as a member without waiting for the formal re-constitution of the Board, which is in process in the Ministry.
11. The Chairman presented the vision of SB to increase exports from the present level of \$500 mn to \$1 bn and the share of value added products from the existing 60% to 80% in the next 5 years. MOS suggested that the Chairman prepare a vision document outlining the strategic objectives to achieve the above targets in consultation with all the stakeholders.
12. MOS was impressed with the concept of *outsourcing of processing of spices* wherein the raw-material is imported, processed, packaged and then re-exported. MOS observed that there is tremendous potential for India to emerge as a “*Processing hub*” in the global market. In this context it was brought to the notice of MOS that policy bottlenecks like import restrictions on packaging material is making India lose out to China.
13. The Exporters informed MOS that the muslim festival of Ramadan provides tremendous scope for export of spices, especially cardamom, to Middle East. There is also a big market in Japan. They requested SB to organise Buyer-Sellers meet in Middle East and Japan before Ramadin. UPASI and Spices Export Forum have agreed to work with SB. In view of the Trade Facilitation Centres being opened in Cairo and Teheran by Tea Board with the support of UPASI, MOS suggested that SB can piggy-back on this initiative for spices promotion.
14. Vanilla crisis was discussed in detail with the stakeholders. It was concluded that since the Vanilla growers have been advised by SB it is now the responsibility of SB to bail out the Growers. Various options were discussed and it was decided

that an honest attempt will be made by SB to promote domestic consumption of natural vanilla by

- a. Writing to NDDDB, HLL, Vijaya, AAVIN etc to procure the beans for use in ice-cream instead of synthetic vanilla, which is presently used.
- b. Explore the possibility of imposing restrictions on usage of synthetic vanilla as in USA.

MOS felt that this crisis can be converted to an opportunity in view of the huge differential in the price of natural and synthetic vanilla. At present Guatemala occupies the top slot with 1500 MT production with India at 6th place with 150 MT. MOS directed the SB to work out a strategy to move to second slot with a target of 500 MT in the next 5 years.

15. During the recent visit of MOS to BARC, Chairman, DAE briefed him on the irradiation technology developed by BARC for use in Agriculture and Health sectors. It was decided that Dr.A.K.Sharma, Head, Food Technology Division, BARC would co-ordinate with Spices Board on radioisotope use in spice industry to ensure long-life and better quality.

June 7, 2006, Kottayam – Rubber Board

MOS chaired the review meeting of Rubber Board held in the conference hall of Rubber Research Institute of India, Kottayam. Later MOS visited the Laboratories of RRII and interacted with the stakeholders – Rubber Growers, members of Rubber Producer's Societies, Dealers, Block Rubber Processors and User group-ATMA.

The Chairman, Rubber Board gave a presentation on the current scenario in the rubber industry and the outlook on prices. The Director, RRII presented on the various activities being undertaken by the Institute and the critical problems besetting the institute.

The Chairman, RB highlighted the following in his presentation:

1. India's position in Global market of NR
 - d. 2nd in Productivity – 1796 kg/ha/annum (1812)
 - e. 4th in Production – 7.4 Lakh tones (29.6)
 - f. 4th in consumption – 7.9 Lakh tones (18.3)
 - g. 5th in area – 5.9 Lakh acres (32.6)
2. Kerala accounts for
 - h. 83.2% area under rubber
 - i. 92.1% of rubber production
3. Dominance of small holdings
 - j. Accounts for 91% in production, 88% in area
 - k. Average holding size – 0.5 ha
4. Trade in NR during 2005-06 (without subsidy)
 - l. Import – 44987 tonnes
 - m. Exports – 73830 tonnes

5. Group approach through RPSs
 - n. 30% of small holdings are members
 - o. 2200 functional RPSs
 - p. Running 6 Processing and 11 Trading Companies with majority equity participation of RB

The Director, RRII highlighted the following issues

1. Shortage of staff arising out of ADRP
 - ü Out of 42 directly recruited Scientists since 1990 31 have resigned (74%)
2. FCS for RRII
 - ü Pending for over 2 decades.
3. Overseas training
 - ü Need for simplification of procedure
4. Organization of International conference/training programme
 - ü Need for simplification of procedure.
5. Land for research
 - ü Ensuring cooperation from the respective State Governments.

While appreciating the efforts of the RB and the RRII and expressing happiness at the buoyant situation of the industry, MOS stressed the need to look at critical issues like re-plantation and moving into non-traditional areas to take care of increased consumption of NR in future now when the going is good rather than grapple with these issues when in distress.

After detailed discussions with the various stakeholders the following issues have been flagged for immediate action:

1. Since the yields of rubber trees start declining after 14 years the present plantations will become senile in the period 2007-2012 and thus calls for putting in place a structure for the re-plantation programme. MOS suggested setting up a Special fund on the lines of Special Purpose Tea Fund (SPTF) with participation of GOI, State Government, NABARD and the Growers. The RPSs can play a crucial role in the designing and implementation of this special fund.
2. Given the crude oil prices situation and the overall economic growth rate of 8% the demand for NR will only increase in the future. Therefore to cater to this increased demand there are three options:
 - a. Increase in import of NR
 - b. Increase productivity through tissue culture/improved varieties in Kerala
 - c. Take up rubber cultivation in non-traditional areas like Tripura, Nagaland, Assam and North Bengal. Nagaland has been a failure. Assam is identified as having the maximum potential.

3. Given the high gestation period involved in the rubber cultivation intercropping is must for the Farmer to survive in the initial years. But due to development of canopy in the later years this option becomes closed. In this scenario the development of medicinal plants as inter-cropping is seen as a good alternative. MOS requested APC, Govt of Kerala to work with RB for promoting herbal medicines as an intercrop. The funding can be worked out from NHM.
Regarding Assam MOS suggested that RB work with Tea Board in view of their presence in Assam since a long time
4. Since rubber production is dominated by small holdings, which account for 91% in production and 88% in area, there is every need to organize them into SHGs. In this regard Chairman, RB briefed MOS that already 2100 Rubber Producer's Societies (RPSs) have been formed and registered under the Charitable Societies Act. These RPSs have federated into an apex body the National Federation of Rubber Producer's Societies (NFRPS) which has started functioning from 1990. MOS wanted further strengthening and empowering of these RPSs in terms of
 - a. IT networking of all functional RPSs
 - b. Providing better access to markets
5. MOS suggested that developing a logo for Indian rubber on the lines of Darjeeling Tea
6. Director, RRII brought to the notice of MOS that chances for career advancement for scientists are extremely limited in RRII. The Institute no longer attracts young talent for want of career prospects. Young scientists joining RRII are leaving for other S&T Institutions/Universities. Since 1990 out of 42 directly recruited Scientists 31 (74%) have resigned from RRII. This can lead to gradual degeneration of RRII. He concluded that only FCS similar to those prevailing in other S & T institutions can save the situation. The Scientists too requested the direct intervention of MOS since this issue is *pending since 2 decades*.
7. The present staff strength in the Rubber Board is less than the strength sanctioned by the Govt., even after downsizing by 13% based on two work studies. Thus the objective of implementing ADRP norms (10 % reduction in staff strength over a period of 5 years) has already been achieved in Rubber Board. The Director, RRII brought to the notice of MOS that further application of ADRP norms will weaken the organisation and tell upon its performance. He requested that Board may be given permission to fill up vacancies arising out of retirement, resignation, etc. but within the sanctioned strength.
8. The DIPP had in February 2006 issued a policy directive allowing 100% FDI in NR processing and warehousing. FDI is likely to come into manufacture of block rubber or TSR. The APC informed MOS that the Kerala Government has written to GOI to reconsider its decision as it is detrimental to the interest of the domestic

rubber sector or if bringing in FDI is absolutely necessary for technological improvement of the sector then the limit of foreign equity is scaled down to 49% from 100% so that the existing units are able to partake the benefit of new technology. MOS felt that FDI in value added products is more beneficial to the sector.

9. Rubber exports increased by 1193.75% during April-May 2006 spurred by the high international price of natural rubber, which has also added to the domestic supply constraint. The tyre manufacturers have therefore been pressurizing the Commerce Ministry for ban on natural rubber exports to ease the domestic supply situation.

MOS assured the Rubber Growers Association and announced in the Press meet also that *there would be no ban on exports* in view of its adverse affect on the confidence of the large number of rubber growers numbering about 10 lakhs. MOS clarified that though he is in principle against export of raw material he is making an exception in this case because of the large number of small and marginal farmers involved.

June 8, 2006, Kochi, MPEDA

MOS chaired the review meeting of MPEDA held in the Office of MPEDA, Kochi. Later MOS interacted with the stakeholders – representatives of Fishermen, Boat Operators, Aqua farmers & hatcheries and sea food exporters and made a brief visit to the MPEDA Laboratory.

The Chairman, MPEDA gave a presentation on the export performance of marine products, SWOT Analysis of the marine sector, constraints facing the seafood industry and vision document for Indian seafood industry.

The Chairman, MPEDA highlighted the following in his presentation:

1. Export performance of marine products (growth %): 2005-06
 - q. Quantity – 512 MT (11%)
 - r. Value – \$1644 mn (11%)
2. Major markets and their share(Quantity and Value): 2005-06
 - s. China – 27% and 12%
 - t. EU – 26% and 29%
 - u. Japan – 12% and 16%
 - v. USA – 11% and 23%
3. Major items and their share(Quantity and Value): 2005-06
 - w. Frozen Finfish – 36% and 14%
 - x. Frozen Shrimp – 28% and 58%
 - y. Frozen Cuttle fish – 10% and 8%
4. Total area under
 - ``. Shrimp culture – 1,40,682 ha
 - aa. Scampi culture – 43,433 ha

MPEDA's vision is to make India one of the top seafood exporting countries in the world in terms of value and quantity by the year 2015 and to achieve an export turnover of \$4 bn by the year 2010. ***More importantly this would result in creation of additional employment to 3 million people mostly belonging to the downtrodden.*** In order to achieve this objective, MPEDA have identified 3 specific areas

1. tap the unexploited Tuna fishery resources
2. diversification of aquaculture species and
3. to enhance the share of value added products in the seafood export basket from India from less than 10% to 70%

After detailed discussions with the various stakeholders the following issues have been flagged for immediate action:

1. Ministry of Commerce has approved the scheme of MPEDA for formation of aquaculture societies for adoption of code of practices for sustainable shrimp farming. In order to anchor this initiative MPEDA has submitted proposals to DoC for setting up of **National Centre for Sustainable Aquaculture at Kakinada.** MOS assured Chairman, MPEDA that necessary approvals will be accorded at the earliest and wanted them to be prepared for laying of foundation stone in the month of July.
2. In order to achieve the target of \$4 bn exports by 2010 and to generate additional employment opportunities to 3.5 mn people the strategic plan is to expand coastal aquaculture in the potential states like Gujarat, Maharashtra and Orissa. MPEDA has formulated Mission mode programme in these states to increase the area under shrimp/scampi farming by at least 100,000 ha in the next 5 years. These would come up in barren, fallow and uncultivable lands.
3. **Supply of duty free diesel through marine out-lets.** The Government of India introduced a scheme called "Fisherman Development Rebate" on HSD under which a subsidy of Rs.1.50 per litre is given for HSD used by mechanized fishing vessel below 20 meters in length. The concession sanctioned by GOI is being extended to the fishing industry in states of AP, Gujarat, Karnataka and TN but not in Kerala. The Associations are now requesting for extending this facility to all the 47,000 mechanized Trawlers and also traditional fishing vessels with inboard engines. MOS assured that he would call for a meeting of Officials from the Ministry of Petroleum, Ministry of Agriculture and Ministry of Commerce and try to settle the issue.
4. **Implementation of Murari Committee Recommendation for the rehabilitation of fishing industry:** The President, Deep Sea Trawler Owners' Association of Kerala has represented that they are denied of the facility of "One Time Settlement" of defaulted term loan availed from Nationalized Commercial Banks under NABARD Refinancing Scheme in the year 1990 as recommended in the Murari Committee report. Further the associations have

represented for extending this facility to all class of fishing vessels plying in the Kerala coast.

5. The aqua farmer is taking great risk and growing a valuable exportable commodity. But he has no affordable insurance cover against natural calamities and diseases. ***Insurance premium levied on fishing vessels is an exorbitant rate of 7% as against 1% for other motor vehicles.*** It is stated that not even 1% of shrimp farms in India are insured due to heavy premium rate. Also bank finance is very difficult to obtain and comes at very high rate of interest. The demand from the aqua culturists is that Aquaculture to be treated as agriculture for banking and insurance.
6. The Indian shrimps suffer from lack of a brand image in the world market. Infact in the global market Indian marine products have poor quality perception. There is urgent need to develop a strong brand for fetching a higher unit price realization. MOS suggested that MPEDA hire the services of a Professional Advertising Agency and launch a campaign on the lines of Tea Board. MOS briefed on the steps being taken to make IBEF more focused by taking up campaigns on handlooms, handicrafts, Leather etc.
7. In order to increase domestic consumption one of the important constraints is lack of proper cold chain. MOS suggested that the existing cold chain facilities of Mother Dairy network may be used.
8. After the Tsunami disaster all back water area around the fishing harbour in Cochin has seen unprecedented accumulation of sand and mud in the back water resulting in voyages being restricted during the low tide. The Associations have been representing the Cochin Port Trust to have the harbour site effectively dredged. But no action initiated so far.
9. In order to meet the challenges of globalization India's traditional fishing sector also should be modernized. Therefore modern fishing harbours and fish landing centres should be established in accordance with international standards. In this regard there has been a demand from various Associations to build a **modern model fish landing center at Vallarpadam in Kochi.** Cochin Port Trust allotted land also. But no progress so far.
10. Anti – Dumping Duty and Bonding issue. The Seafood Exporters have suggested three options before the Govt. They are
 - a. To fight diplomatically, maybe along with Vietnam.
 - b. GOI to defray part of the legal cost that the Exporters have to pay, which is around \$600, 000
 - c. Cost of 3% of the bonding fees be re-imbursed from the MAI schemeMOS felt that option 1 may not work out and options 2 and 3 can be explored.

11. Quality control is emerging as a very critical element in the sea food industry. The future of international seafood trade is closely tied up with the ability of the industry to comply with the food safety demands imposed by importing countries and satisfy the certification requirements of food control agencies in importing countries. In view of this quality of seed becomes very critical and thereby the functioning of hatcheries. MOS directed the Chairman to make ***compulsory registration of all hatcheries by MPEDA and complete the process in the next four months latest.***
12. Regarding registration of Hatcheries and Feed mills, Chairman, MPEDA expressed the need for more clarity as the process of registration by MPEDA is issued only in guidelines and not in the Coastal Regulation Act. MOS clarified with the Secretary, Animal Husbandry and Dairying, GOI and requested the Chairman to first begin the process and take up amendments to the Act as and when the need arises.

MOS also stressed on the need for close coordination between MPEDA and the proposed ***National Fisheries Development Board.***

June 9, 2006, Bangalore, Coffee Board

MOS chaired the meeting of Bankers, Chairman, Coffee Board and Representatives of Karnataka Growers Federation on the issue of relief package for coffee growers announced in 2005 held in the Conference Hall of Coffee Board, Bangalore on June 9th 2006. The Chairmen of all the leading Banks attended the meeting.

Background: The Govt. of India in 2000-2001 rescheduled the accounts of Coffee Growers and again in 2001-2002 converted the loans into Special Coffee Term Loan (SCTL). The first installment of SCTL with interest is due to be paid on or before June 30th 2006 and the plea of the Growers is that they are not in a position to pay the same for the reasons of

1. The high incidence of white stem borer has resulted in drop in productivity
2. Plantations are facing severe shortage of work force and
3. The cost of production has gone up
4. While rescheduling in 2001 the interest was capitalized to principal

After detailed discussions the following issues have been flagged for immediate action:

1. As part of the Long term relief measure to the coffee growers it was decided to work out a financial package for re-plantantation on the lines of Special Purpose Tea Fund (SPTF). The Chairman, CB estimated that roughly 90,000Ha senile plantations (65,000 Ha in Karnataka and 25,000 Ha in Kerala and TN) have to be taken up under the re-plantation programme in the next 5 years. The size of the Special Purpose Coffee Re-

Plantation Fund (SPCRF) is estimated to be about Rs.600 Crores over a 5 year period.

2. In order to ease the immediate financial debt burden of the coffee growers it was decided to constitute a Task Force comprising of Chairman, CB or his representative and a representative each from Canara Bank, Corporation Bank, Karnataka Bank and State Bank of Mysore. An outside expert from IIM or any reputed institute will be a member. The Task Force shall deliberate along with the stakeholders and ***will work out an agreed upon relief package for 40,000 coffee growers and submit its report within 1 month.***
3. On the point raised by the Chairman, Canara Bank that non-payment of first installment of SCTL due on or before June 30th 2006 will result in all accounts becoming NPAs, MOS convinced the Representatives of KGF to agree for the payment of this first installment as the Task Force will any way submit its report for the relief package within a month.
4. MOS expressed concern over the large communication gap that exists among the important stakeholders - the Growers, Bankers and Coffee Board- in view of the huge difference in the cost of production figures that are being projected by each of the stakeholder. It was decided that from now on there shall be a Joint meeting once a quarter
5. MOS announced that the next India **International Coffee Festival** will be held from February 23-25, 2007 in Hotel Ashok, Bangalore.
6. The Coffee Board to apply to the Registrar, Geographical Indications for according GI status to Monsooned Malabar coffee.
7. MOS observed that 80% of Coffee produced is exported and of the 20% consumed domestically 80% is in TN only. Therefore there is urgent need to increase domestic consumption so as to come out of the vagaries of international price fluctuations that is plunging the coffee sector to crisis periodically. Brazil has managed to overcome this crisis by concerted efforts over a period of time by building up the domestic market. CB has hired the services of Carlos Bando of Brazil to work out a similar strategy for India.