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Support us for continued growth: Karunanidhi

Special Correspondent

"I am seeking your support in the name of government"

— Photo: DIPR

Harping on development:Chief Minister M. Karunanidhi laying the foundation stone for the genetic garden 'Marudham,' one of the five lands classified in Sangam literature and inaugurating the coconut complex at Ponnavarayankottai near Pattukottai, through video conferencing from Chennai on Sunday.

CHENNAI: Chief Minister M. Karunanidhi on Sunday sought the support of the people for the continuance of his government which always kept in mind the "development and resurgence of the State".

"People should consider how much the State's future glory, development and resurgence are kept in mind by this government. I am seeking your support not on behalf of the party but in the name of the government and Tamil society," he said while inaugurating an agriculture college in Keelvelur, coconut marketing complex in Pattukottai and five genetic heritage gardens through videoconferencing from here.

Mr. Karunanidhi said the schemes announced by him during the World Classical Tamil Conference in Coimbatore were being implemented one by one. He sought the support of the officials for the proper implementation of the projects.

The genetic gardens represent five divisions of land in ancient Tamil literature: Kurinji, Mullai, Marutham, Neithal and Paalai.

“We have read about these divisions of land only in school amid doubts whether such categories really existed. It is a matter of pride and privilege for me that I am actually inaugurating such heritage gardens,” he said.

The other projects the Chief Minister launched included an agriculture college in Namakkal and the signing of a memorandum of understanding for an agricultural marketing terminal at Perundurai.

The ‘Kurunji' garden will come up on a 75-acre horticulture farm in Yercaud; ‘Mullai' on a 25-acre extent at Sirumalai, Dindigul; ‘Marudham' garden on 21.47 acre agricultural farm in Sakkottai, Kumbakonam; ‘Neithal' garden spread over 14.61 acres in Thirukadaiyur and ‘Paalai' garden on 25 acres in Tirupullani, Ramanathapuram.

Under the first phase of the project work, the government had allotted Rs.32.41 crore and the project was expected to be completed within five months. Law Minister Durai Murugan laid the foundation stone for construction of a new building for Tamil Nadu Public Service Commission in V.O.C. Nagar at a cost of Rs.18.27 crore.

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Promotion of hybrid chilli

Special Correspondent

Photo: M.Srinath

for better yield:Hybrid variety of US341 chilli displayed at the grievances meeting in Thanjavur.

THANJAVUR: The horticulture department is popularising cultivation of hybrid variety of chilli in the district.

According to N.Selvaraj, Deputy Director of Horticulture, hybrid variety of US341 chilli gives more yield. While an ordinary chilli plant gives half a kg of yield after 210 days, hybrid variety of US 341 gives three kg.

"By planting 10,000 seedlings of hybrid chilli on an acre, a farmer can get 30,000 kg of green chillies and 3000 kg of dry chillies.”

The department is giving hybrid variety seedlings in trays for the benefit of farmers.

The seedlings were displayed at the grievances day meeting held in Thanjavur on Friday. Under National Horticulture Mission, the department supplies chilli seeds and bio-fertilisers for free.

It has also been planned to raise Areca nut on 500 acres in the district under the mission, Selvaraj said.

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Fertilizer subsidy: what is good for the farmer and the farm?

Raghuvansh Prasad Singh

Is the chemical fertilizer-based food production system sustainable? As a result, what happens to the soil and the larger issue of food security?

PHOTO: SINGAM VENKATA RAMANA

A LOSS: With the promotion of chemical intensive agriculture in the country, invaluable, traditional knowledge of farming has started to fade away. A farmer using fertilizer in his field at Panagal near Nalgonda.–

After a raging debate, the government finally decided to hike the chemical fertilizer subsidy, to catch up with spiralling fertilizer prices in the global market. Also, there is talk about bringing urea under the Nutrient Based Subsidy (NBS) system and decontrolling its prices. Obviously, the fertilizer industry is happy. But there is hardly any discussion on what is good for the farmer and the farm. What is the state of the soil in the country? And is this chemical fertilizer-based food production system sustainable?

The past debate and NBS

The government has been spending a huge amount of money to support chemical fertilizer production and its usage. It has touched almost a lakh crore in 2008-2009. This investment has always been under criticism as it was promoting an overuse of chemical fertilizers and thereby catalysing soil degradation. As a result, agricultural production in the bread baskets of the country has stagnated and even started to decline, posing a threat to the food security of the country. The drylands have never received the benefits of the crores of money being given out as fertilizer subsidy, as most farmers in these regions are, by default, organic as they cannot use chemical fertilizers; water being the limiting factor.

There have been concerns raised by several policy experts and others that the fertilizer policy of the country is only helping to move out the Indian tax payers' money to foreign petroleum companies and fertilizer producers. It is to be noted here that fertilizer production is highly dependent on fossil fuels, and that most fertilizers are imported.

In 2009, Union Finance Minister Pranab Mukherjee gave us a glimmer of hope when he announced a fertilizer subsidy reform and introduced the NBS system with a promise that the subsidy amount would be disbursed directly to farmers. In 2010, this policy was made effective, but there was no transfer of money to farmers. One year down the line, the NBS is proving to be a complete failure. Media reports point to the fact that after the introduction of the NBS, urea usage has gone up leading to a further degradation of the soil. Now, with the government increasing the fertilizer subsidy, it is also clear that the NBS has also failed to reduce the burden on the exchequer. It is neither helping the farmer nor the Government.

Soil degradation: farmers' view

In the mad rush to balance the chemical fertilizer kitty with global prices, policy makers are forgetting a huge problem that is staring us in the face — the deteriorating soil in the country and the resultant threat to food security. However farmers are aware of the crisis, but are helpless in the absence of support systems from the government. A recent Greenpeace India report, “Of Soils, Subsidies and Survival,” based on social audits conducted in five Indian States, has revealed that 96 per cent out of the 1,000 farmers surveyed were of the opinion that the use of chemical fertilisers led to soil degradation but they continue to use them as there was no other option. Ninety-four per cent of the surveyed farmers believed that only organic fertilisers can maintain soil health. However, only one per cent of the farmers received any kind of support for production and the use of organic fertilisers. Ninety-eight per cent of the surveyed farmers were ready to use organic fertilisers if they are subsidised and made easily available.

Further, only 34 per cent of them knew that chemical fertilisers are subsidised. Of those who knew, only seven per cent knew that a new subsidy system (NBS) was introduced by the government for chemical fertilizers. Even at the subsidised rate, 94 per cent of them thought that chemical fertilisers are unaffordable and not economical.

These are some of the eye-opening revelations that the government should look into. Whenever a fertilizer sop is announced, it is lauded as a farmer-friendly measure. But farmers are not even aware. They are more worried about the soil, a resource on which their livelihood is dependent. But the government tends to ignore this.

Support for alternatives

It is a well-accepted scientific fact that organic matter is the lifeline of the soil which is critical to maintain the health of this ecosystem. Measures have to be taken to promote the generation of sufficient biomass in a field to be added to the soil. Ecological fertilization offers a range of ways to nourish the soil, with no damage to the ecosystem, be it in irrigated or rainfed regions. Indian farmers were once aware of these practices. However with the mad promotion of chemical intensive agriculture in the country, invaluable, traditional knowledge has faded away. From a knowledge driven system, agriculture production in the country has become an external input–driven system. This is when the crisis started to emerge.

The agriculture research system in the country has always neglected an eco-friendly means of soil nutrition and never approached it in a holistic way. It has always revolved around a chemical intensive agricultural model. There is an impending need to refocus scientific research to identify the value of the traditional knowledge available with a farmer. Scientific research should go hand in hand with farmers' wisdom to help the country tide over the crisis.

The government should think about how long we can depend on a volatile fossil fuel-based agriculture system. How long can we be dependent on fertilizer imports? How long can we ignore the state of the soil in the country? And how long can we ignore a farmers' plight?

Now is the time for the government to start building an alternative support system which is both farmer and farm friendly. This can open up a lot of rural employment opportunities and contribute to the livelihood security of a farmer. This will also bring prosperity to rural India.

(The writer is Member of Parliament and former Union Minister of Rural Development.)

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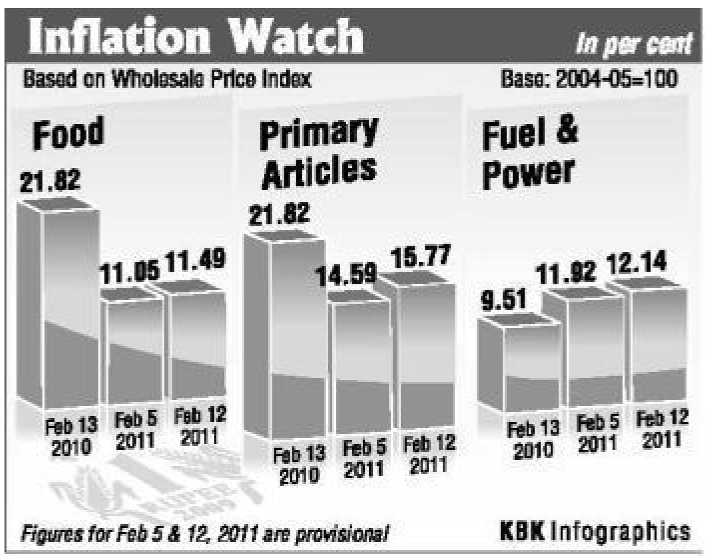
Budget 2011-12 to focus on inflation and growth



The Union Budget 2011 will be presented by the Finance Minister, Pranab Mukherjee, in the midst of rising global commodity prices, which can increase inflationary pressure. Even though the Government is likely to stress on growth as well as economic reforms, it will have to adress the key issue of inflation in the first place. As the Economic Survey has also warned, food inflation has been in double digits for 76 weeks since June 5, 2009. “The inflationary pressures on the domestic front are likely to be exacerbated by the higher levels of global commodity prices,” said the Finance Minister while tabling the Economic Survey for 2010-11 in Parliament on Friday prior to his Budget presentation today (Monday).

Further, the easy money policy being followed by developed nations and the political turmoil in the Middle East will have a bearing on headline inflation at home.

The Bombay Stock Exchange benchmark 30-share index, Sensex, lost 8.2 per cent since the Reserve Bank of India (RBI) hiked interest rates and revised upwards its inflation estimate. With the increases announced on January 25, the RBI has cumulatively increased the repo rate by 175 basis points and the reverse repo rate by 225 basis points since mid-March 2010. Additionally, the cash reserve ratio (CRR) was increased by 100 basis points.

The Survey has also mentioned the projections of the International Monetary Fund (IMF) of continued pressure on commodity and non-commodity prices. The Middle East turmoil has already taken global oil prices to a two-year high of around $120 a barrel. Even though the government has already said that it expects inflation to moderate to around 5 per cent by June-July and its policy makers like Planning Commission Vice-Chairman Montek Singh Ahluwalia gyrates the topic of inflation by saying “it will come down soon”, inflation and inflationary pressures are continuing unabated making common man's life miserable. Though the Government favours a higher growth rate even at the cost of rising inflation, markets believe that high inflation would endanger an ambitious growth expectation.

Agriculture

“Primary articles inflation has been an issue due to surging demand and supply shortage,” said K. Ramanathan, Chief Investment Officer-Single Manager Investments, ING Investment Management India. He said more focus needs to be there on increasing acreage/arable land and productivity in agriculture. Focus should also be there in reducing risks due to poor monsoon. While manufacturing inflation has been benign so far increasing global commodity, especially oil, prices have the potential to derail economic growth. Reduction in import duty on crude and excise duty on petrol and diesel would also reduce inflationary pressures to some extent.

“The formulation of this budget against the current challenging macroeconomic backdrop is likely to be a difficult task for the government. Given upcoming State elections, drastic expenditure reforms are unlikely in the 2011-12 budget,” said Anubhuti Sahay, Economist, Standard Chartered Bank.

Also, the growing perception that government policies, or a lack thereof, have worsened the fiscal situation leaves little room for a significant deviation from the fiscal consolidation path, at least in the initial budget announcement. Investor sentiment has already been dented by downside risks to growth and upside risks to inflation. While announcing a fiscal deficit of 5.1 per cent of gross domestic product (GDP) for 2011-12 on the heels of a 5.2 per cent deficit in 2010-11 might be seen as a positive step towards deficit reduction, the inability to meet the 4.8 per cent target set in the government's fiscal consolidation plan is likely to weigh on market sentiment.

“We are not convinced that the government can do much in the short-term on inflation and growth,” stated a report of Nomura Financial Advisors and Securities (India) Private Ltd. Furthermore, the report states that the budget could entail the risk of a rise in excise duties, which would put further pressure on existing margin pressures and inflation. “We do not see much respite for interest rates which we expect to remain elevated amidst ongoing systemic liquidity shortages and a high level of expected market borrowings.” Fiscal imperatives and a limited ability to hike expenditure could further cap upside to systemic liquidity.

The current bout of inflation in India is primarily being driven by rising global commodity and domestic food prices. Management of inflation and inflationary expectations is the domain of the central bank which can, at best, tweak short-term rates in the hope of reining in aggregate demand. The global commodity cycle, the key determinant of manufacturing and fuel inflation, constituting about 80 per cent of the WPI index, is exogenous to the government.

Demand factors

Food inflation is now morphing into a structural feature and is being driven by rising food demand in a fast-growing economy plagued by a creaky food supply chain, endemic inefficiencies and poor infrastructure in the critical agricultural sector. “This year, inflation seems to be driven by demand factors, despite higher supply levels,” the Survey said. This is in contrast to the fact that in the last fiscal, inflation was mostly driven by a deficient monsoon, leading to scarcity of certain food products like pulses, cereals and sugar.

“We expect the budget to be a tight rope balance on the fiscal deficit side,” said Mr. Ramanathan. As per the fiscal deficit reduction road map, the deficit is to be cut to 4.8 per cent of GDP.

Higher claims on subsidies (food, fertilizer and oil), pressures to increase social spending in the background of several State elections and absence of one-offs like the 3G bounty (which accounted for almost 1.3 per cent of GDP in 2011) would be the challenges the finance minister has to contend with.

One way of increasing revenue would be to normalise the reduction in excise duty and service tax to pre-crises levels. Possible increase of 2 per cent in both these accounts can be expected in the budget. Another source of increased revenue would be increasing MAT rates to align with the 20 per cent rate proposed in the Direct Taxes Code Bill, 2010. Buoyancy in tax revenue would continue due to sharp increase in nominal GDP growth. Given that this would be the last year of the current five-year Plan, there would be limited room for pruning Plan expenditure growth.

On the non-Plan expenditure side, interest payments and defence expenditure account for around 50 per cent and scope for reduction here is limited. Given the high global commodity prices and rising oil prices, the subsidy bill also would be substantially higher next year. In this backdrop, containing fiscal deficit to 4.8 per cent of GDP would be an arduous task.

The speed of the reforms process has perceivably slowed down in the recent past. Market participants would look for measures that indicate the government's resolve to continue with the reforms process. One such measure that could boost the market, according to Mr. Ramanathan, could be allowing FDI in multi-brand retail, defence (up to 49 per cent) and in insurance. Other measures that would give market confidence would be the passage of several pending bills like the Mines and Minerals Bill and Land Acquisition (Amendment Bill). Fiscal deficit number of 4.8 per cent as well as reemphasising commitment to increase investments in infrastructure, sort out policy and procedural delays in sectors like power and road transport would be other measures that could boost the market.OOMMEN A. NINAN

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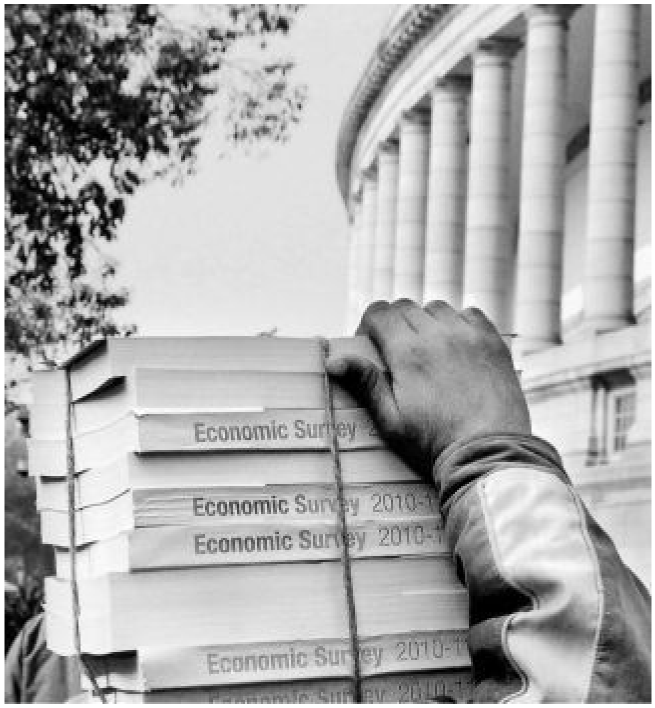
Economy on the eve of the budget

The spectacular bounce back of the agricultural sector is attributed to the low base of last year and good monsoons

— PHOTOS: Kamal Narang and V.V. KrishnaN



A FLURRY OF ACTIVITY: A worker carrying copies of the Economic Survey at the Parliament House. (below)C. Rangarajan, Chairman, Economic Advisory Council to Prime Minister, releasing the`Review of the Economy 2010-11.

A flurry of major economic news and developments has preceded the Union budget, to be presented to Lok Sabha today (Monday). Both the Railway budget for 2011-12 and the Economic Survey 2010-11 were presented on Friday last.

The Prime Minister's Economic Advisory Council (PMEAC) released its ‘Review of the economy 2010-11' early last week. Obviously, the Finance Minister would be guided by these reports. How does the economy look like on the eve of the budget?

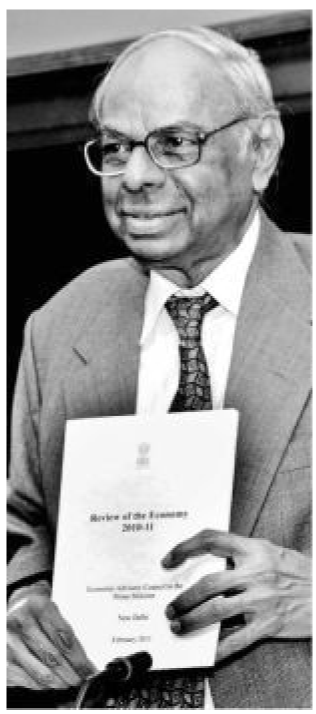
There is, perhaps inevitably, a mixture of positive and negative news and views. To take the positive ones first, the economy seems poised to grow at a healthy 8.5 per cent plus in the current fiscal and the next year (2011-12).

According to the most recent official data, the CSO's advance estimate, the economy will end the current year with a growth of 8.6 per cent. This is closer to the upper end of the forecast range of 8.4-8.75 per cent growth by the Finance Minister but higher than the Reserve Bank of India's 8.5 per cent growth.

Among individual sectors, agriculture along with forestry and fishing is expected to rebound sharply, growing by 5.4 per cent from just 0.4 per cent a year ago. Manufacturing is expected to grow at 8.8 per cent, the same as last year, while services will post a 9.6 per cent growth, which is in line with the sector's recent trends.

On the face of it, the above data certainly give room for optimism but a closer examination does point to some warning signals. Manufacturing, the star performer recently, has been slowing down during the latter part of 2010 as seen by the Index of Industrial Production numbers.

Indeed an 8.8 per cent growth for the whole year implies a slowdown from the robust 13 per cent and 9.8 per cent increases in the first two quarters of 2010-11. Further evidence of a slowdown is seen in the lower estimate of gross capital formation. The spectacular bounce back of the agricultural sector is attributed to the low base of last year and good monsoons. The statistical benefit will not accrue next year and it will be naïve to take monsoons for granted.



More upbeat

The PMEAC report is more upbeat on economic prospects next year. The economy will climb to its pre-crisis levels and grow at 9 per cent next year. The PMEAC is betting on services and industry growing at a faster rate of 10.3 per cent and 9.2 per cent, respectively, to make up for the inevitable slowing down in the farm sector. Its important recommendations for policy are: (a) to withdraw further the stimulus packages that were extended to industry during the height of the crisis; (b) to take urgent steps towards fiscal consolidation; and (c) to pave the way for the Goods and Services Tax (GST).

On the eve of the budget, one has to necessarily look at the bigger picture. Among the challenges that policymakers face, the following are important:

Topping the list is inflation, which remains persistently high. Now at around 8.5 per cent, it is not expected to come down substantially. The RBI has raised its year-end forecast to 7 per cent from its earlier 5 per cent. The PMEAC is certainly not the first in calling for concerted action to bring down the prices.

Food inflation, though coming down slightly, continues to be in double digits. High inflation will force the RBI to hike interest rates and this will inevitably hamper the growth momentum. Two, the widening current account deficit, estimated to be above 3.5 per cent by March 31, 2011, is another big cause for worry.

As much as the size of the deficit, it is the dependence on volatile portfolio flows and external commercial borrowings to bridge the deficit that is of concern. Also foreign direct investment, by far the preferred type of capital inflows, has declined by as much as 31 per cent

Three, as already pointed out, the likely deceleration in the manufacturing sector (although the PMEAC discounts the possibility) is a cause for worry.

Apart from pulling down the GDP growth rates, it will stoke inflation as supply of goods fall short of demand.

Four, the challenge of fiscal consolidation: Apart from recommending the withdrawal of stimulus measures, the PMEAC has pointed out that a major portion of the fiscal adjustment will have to come from additional tax revenues and called for “continued attempts to reform tax administration, review the double taxation avoidance agreements and other measures to prevent flight of incomes to tax havens."

The fiscal deficit of the Centre may be lower at 5.2 per cent of the GDP against 5.5 per cent estimated earlier but meeting the targets in later years may be a problem. The Finance Commission has recommended that the fiscal deficit should be brought down to 3 per cent by 2014-15.

Economic Survey

The Survey endorses the point that India's growth will reach the pre-crisis levels even over the short-term. For 2011-12, the rate of GDP growth will be 9 per cent plus or minus 25 basis points. Savings and investments are now showing a positive momentum. The recent spike in petroleum prices is obviously a matter of concern as is the uncertainty over economic growth in many European countries and Japan. India is not ‘decoupled' from the developed economies and, hence, will be adversely hit in the event of another crisis in the West. However, the possibility of a ‘double-dip' recession in these countries is remote.

The prospects are even brighter over the medium-term. India's demographic dividend is yet to peak. The share of infrastructure in investment is growing.

Inflation remains a major concern. The Survey points out that once the economy operates at full capacity, the savings and investments will no longer be effective drivers of growth. Skills development and innovation will become even more important.C. R. L. NARASIMHAN

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Diversification is key to farm sector, says VS

A Correspondent

Call to develop agriculture-based industries in State

Meat processing plant inaugurated Priority to agriculture, animal husbandry

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MANJADI (WAYANAD): Chief Minister V.S. Achuthanandan said on Sunday that diversification in the agriculture sector had played a crucial role in strengthening the farming community in the State.

Addressing a gathering, from Thiruvananthapuram through teleconferencing, in connection with the inauguration of a Rs.17-crore meat processing plant of the Brahmagiri Development Society, a people's initiative in the dairy development sector in Wayanad district, Mr. Achuthanandan said the government should focus on developing agriculture-based industries in the State to strengthen the farming sector. The Left Democratic Front (LDF) government was able to take progressive steps in this regard during the past five years, Mr. Achuthanandan said.

Agriculture and animal husbandry were the chief means of livelihood of the people in the State and the government had given high priority to these sectors during its regime, Mr. Achuthanandan said.

“This is the first large-scale high-tech venture of the farming community in the State and it would set a model for others to emulate,” the Chief Minister said. Mr. Achuthanandan commended people's representatives for setting up such a challenging enterprise.

Mr. Achuthanandan said the newly opened plant would help in the comprehensive development of agricultural-based industries in the State as it aimed to uplift small-scale farmers as well as farm workers to the status of modern industrial workers by assuring them fair income and job security.

The newly opened veterinary university in the district would be helpful for further progress of the industry, the Chief Minister added.

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JD (U) for agriculture-friendly budget

Staff Reporter

KOLKATA: On the eve of the presentation of the Union Budget by Finance Minister Pranab Mukhrejee, Janata Dal (United) President Sharad Yadav said here on Sunday that his party wanted an agriculture-friendly budget and that emphasis be given to protect the fertile land of the country.

“The Budget should take measures to save the agricultural sector of the country for the sake of food security. Steps should be taken to save the fertile land of the country as this is our country's wealth,” Mr. Yadav told journalists on the sidelines of party's State conference. Mr. Yadav said that the setting up of SEZs (special economic zones), hi-tech cities and factories on agricultural land was a matter of grave concern as the food-security of the nation is compromised. He commended the Railways for not increasing passenger fares in the Railway budget, but expressed concern over implementation of projects announced in the last budget.

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9,000 Kuttanad farmers to get soil health cards

Special Correspondent

THIRUVANANTHAPURAM: Soil health cards will be distributed to nearly 9,000 farmers of Kuttanad at Chakkulathukavilamma Auditorium at Neerettupuram in Alappuzha on Monday.

Agriculture Minister Mullakkara Ratnakaran will inaugurate the distribution. Kodikkunnil Suresh, MP, will release the Prioritised Watershed Atlas of Alappuzha.

The State Soil Survey Organisation collected samples from 27 panchayats in Kuttanad. The soil health cards contain the results, along with detailed information on land characteristics such as elevation, slope, erosion status, drainage, water table, present land use, physical characteristics such as soil pH, cation exchange capacity, electrical conductivity, major nutrient status, secondary nutrient status, general fertility status with limitations and fertilizer recommendations.

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Pranab Mukherjee presents Union Budget 2011

The government faces the daunting task of appeasing voters weary of high inflation while trying to tame its fiscal deficit when it presents its budget for the next fiscal year on Monday.

Prime Minister Manmohan Singh's government is under pressure over high prices and its handling of a string of corruption scandals as his Congress party faces elections in five states this year, making it unlikely that it will unveil any sensitive reforms in the budget for the fiscal year starting in April.

Instead, finance minister Pranab Mukherjee is expected to count on a robust economy to expand revenue in the absence of big one-time gains that it enjoyed in the current year from the sale of 3G telecom licences.

Mukherjee is also expected to withdraw more of the stimulus that helped India weather the global economic downturn when he presents the budget to parliament.

Indian economy is on track to grow at 8.6% in the current fiscal year that ends in March. A new government survey has forecast economic growth of 9% for the next fiscal year.

"I expect the government can roll back stimulus (measures) in the budget by re-imposing taxes on most of the products that were given relief earlier, though the budget will be guided by the coming state elections," said Basanta Pradhan, an economist at the Institute of Economic Growth, a Delhi-based think-tank.

Reform measures, such as liberalising foreign investment in multi-brand retail and setting out a definitive roadmap for a nationwide goods and services tax, may need to wait for a more receptive political climate.

Mukherjee is expected to give priority to expanding investment in the farm sector, where inefficiency has helped drive food inflation to double-digits for much of the past year, fueling broader inflation that stands above 8 per cent despite seven interest rate increases since March last year.

Moves to bolster development of India's infrastructure are also expected. Inadequate power, roads and other infrastructure act as bottlenecks to growth and push up costs.

Deficits And Subsidies

On Friday, a government survey forecast a fiscal deficit for the current fiscal year of 4.8% of GDP -- far better than the 5.5% target, thanks to $23 billion in telecom licence revenue and a surge in growth that boosted tax receipts and enabled higher-than-budgeted spending.

The survey forecast a fiscal deficit of 4.8% for the next fiscal year. Some economists say the figure is optimistic given the absence of one-time gains from the telecom licence sales and the prospect that India's subsidy burden could swell if oil prices stay above $100 per barrel and New Delhi continues to subsidise diesel and cooking fuels.

Some economists also expect a slowdown in growth in the new year, which would make the deficit target harder to reach. New Delhi is likely to announce plans to borrow about 4.5 trillion rupees ($99.3 billion) from the bond market in the new fiscal year, roughly in line with the current year's borrowing, a Reuters poll found.

India is in a bind over inflation, which has prompted street protests and drawn criticism from the opposition. Food and fuel subsidies are popular with voters and help offset inflation but add to India's fiscal burden.

Deutsche Bank forecast subsidies in the current fiscal year would reach 2.5% of GDP, above New Delhi's target of 1.8 per cent. It expects the subsidy burden in the next fiscal year ending in March 2012 to rise to 3% of GDP.

"While India's bouyant economic growth will likely help support a robust increase in tax revenues, additional fiscal effort will be needed to keep the deficit from widening," Deutsche Bank economists wrote in a note.

http://www.hindustantimes.com/StoryPage/Print/667713.asp

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Pranab may dole out tax sops to salaried class, farmers

Finance minister Pranab Mukherjee is likely to give tax concessions to the salaried class and offer incentives to farmers in his Budget 2011-12 on Monday to give relief from high prices and keeping an eye on elections in five states.

It is widely expected that the Budget will raise the income tax exemption limit to Rs 1.80 lakh from the current Rs 1.60 lakh per annum.

The finance ministry is already committed to raising the exemption limit to Rs 2 lakh per annum in the Direct Taxes Code (DTC) which is to be implemented from April 2012.

Mukherjee may also consider raising the limit for investment in tax-free infrastructure bonds to give a boost to the fund-starved sector. Investments up to Rs 20,000 in infrastructure bonds enjoy tax exemption now.

Experts said with fiscal deficit projected to come down sharply to 4.8%, the finance minister would have some leeway to provide these tax concessions.

The Economic Survey 2010-11 presented in Parliament projected fiscal deficit at 4.8%, down from the budget estimate of 5.5% for the current fiscal.

With five states -- Assam, Tamil Nadu, Puducherry, Kerala and West Bengal-- heading for polls, it is unlikely that Mukherjee would completely roll back the stimulus and come out with harsh measures to increase government revenues and bring down fiscal deficit, experts said.

Mukherjee's third consecutive budget is also expected to increase the credit flow to the farm sector.

On tax rationalisation, Mukherjee had said, "The sustained growth has been possible due to rationalisation of tax structure, improvement in tax administration and persistent efforts of the employees of Income Tax department."

Inflation has remained above the comfort level for most part of the current fiscal and will be another focus area for Mukherjee.

The overall inflation at 8.23% is higher than the comfort level of the Reserve Bank at 5-6%. Food inflation had also touched at a high of 18.23% in December, but moderated to 11.49% in mid-February.

Industry fears that Mukherjee may roll back some of the stimulus to fight inflation. Moreover, the Survey had also projected the economy is recovering fast and is expected to return to the pre-crisis growth rate of 9% in 2011-12.

Stimulus package provided by the government at the time financial meltdown helped India grew by 6.8% in 200809, and by 8% in 2009-10.

The economy grew by 8.9% in the first half of 2010-11.

But the tax incentives and higher public expenditure also pushed up the fiscal deficit to 6.3% in 2009-10. In the Budget 2010-11, Mukherjee had estimated fiscal deficit to be Rs 3,81,408 crore.

Even as there could be some decline in government revenue due to higher exemption limits, Mukherjee would pin hopes on increased economic activity with a high growth rate of 9% to bring in money to Centre's kitty.

http://www.hindustantimes.com/StoryPage/Print/667361.aspx

New Delhi, February 27, 2011

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Govt likely to set farm credit target to over Rs 4 lakh cr

In order to fight inflation by raising farm productivity, finance minister Pranab Mukherjee is expected to increase substantially farm loan disbursal target to over Rs 4 lakh crore in the upcoming Budget.

The government has been giving priority to the farm sector and had enhanced farm credit target by 15.3% to Rs 3,75,000 crore for the current fiscal.

The growth rate of agriculture sector, pegged at 5.4% for the current fiscal, is likely to see moderation in the next fiscal. As per the forecast, the farm sector is likely to see a lower growth rate of 3% in 2011-12.

In the last two fiscals, the government has raised targets in the range of about 15%.

For 2008-09, the target set for the farm credit was Rs 2,80,000 crore while the actual disbursement was Rs 3,01,907 crore.

The target was increased by 16% in the following year to Rs 3,25,000 crore and banks gave Rs 3,66,918 crore advances to the farm sector in 2009-10.

During the current financial year, the goal set by the government is Rs 3,75,000 crore. Of this, banks have already given loans to the tune of Rs 1,94,392 crore in the first six months of the fiscal.

The government since 2006-07 is providing interest subvention to all public sector banks, regional rural banks and cooperative banks for short term crop loans up to Rs 3 lakh, so as to ensure that agriculture credit is available at 7% to the farmers.In 2010-11 Budget, an additional 2% interest subsidy was announced for those farmers, who repay their short term crop loans timely.Mukherjee in 2010-11 Budget had said, "In the last budget, I had provided an additional one% interest subvention as an incentive to those farmers who repay their short-term crop loans as per schedule."I propose to raise this subvention for timely repayment of crop loans from one% to two% for 2010-11. Thus, the effective rate of interest for such farmers will now be 5% per annum."

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Inflation can derail GDP growth

Feb 27 2011

The Economic Survey 2010-11, while gung-ho about the potential for GDP to grow by nine per cent in 2012, qualifies repeatedly that this growth is predicated on various factors, domestic and external, that could put pressure on this growth, if not derail it. The government can ignore these ifs and buts at its own peril and at the risk of social and political unrest. Inflation, the failure to meet infrastructure targets and shortage of skilled manpower to service a burgeoning economy, on the domestic front, and the still fragile recovery in the developed economies and the new political crises in oil-producing North Africa and West Asia, are the main threats to sustaining the remarkable growth rate in India. This is not to belittle the achievements of the economy on various fronts — from the services sector to the manufacturing sector, exports and employment and social services. Even agriculture has seen a turnaround though this is primarily due to a good monsoon as the bulk of farmers depend on rained crops. It is not a heartening fact that a $1.5-trillion economy has to depend on the rains to keep it ticking. Agriculture creates purchasing power in the hands of rural India, where the vast majority of India still lives, and this enables the growth of industry and manufacturing as these new buyers come into the market. Agriculture is pivotal to a more balanced growth of the economy, but this fact has still to sink into the minds of planners and others who guide our economy on its growth trajectory. Unfortunately, the Economic Survey has not projected any new ideas or direction, though in the chapter on agriculture it has suggested the need for a second technological revolution that could primarily increase production. This was not in the survey of 2009-10. This is particularly imperative because of the fall in productivity or yield per acre. India has numerous agricultural and crop research institutes, such as the Indian Council of Agricultural Research, 15 state seed corporations, etc. They should be made accountable for coming out with straight line (family-owned) seeds that can be used again and again, which could help farmers increase productivity. This is the need of the hour, and not BT or genetically modified seeds. It has called for the creation of more farms to fork food supply chains that would incentivise farmers with higher prices and simultaneously lower consumer prices. In this context, commerce minister Anand Sharma's message to foreign giant retailers to build infrastructure like warehousing, cold-storage and food-storage infrastructure before lobbying for permission to set up retail outlets in India is a great idea. The survey has rightly raised the red flag on the infrastructure sector where targets are lagging seriously behind schedule, particularly in power, roads, ports, new railway lines and doubling of railway lines. It has pointed out that rapid reduction of infrastructure deficit holds the key to competitiveness in an increasingly globalised economic environment. The survey has lauded the increased expenditure on social services as a proportion of total expenditure from 21.1 per cent in 2005-06 to 25.2 per cent in 2010-11. But it said it was necessary to ensure this allocation results in outputs, and outputs in outcome.

Source URL:

http://www.deccanchronicle.com/dc-comment/inflation-can-derail-gdp-growth-158

express™ buzz

By PTI

28 Feb 2011 11:10:28 AM IST

‘Rural prosperity is fuelling food inflation’

BHUBANESWAR: RBI Governor D Subbarao has said that rising prosperity in rural India is leading to food scarcity, which is driving up food prices.

"Since rural incomes are going up, people are eating better by shifting from cereal to protein (rich diet) and it is leading to food scarcity," Subbarao told students of the Indian Institute of Technology (IIT), Bhubaneswar yesterday.

Food inflation, which has been hovering in double digit levels for the last few months has been a cause of concern for the government. It rose to 11.49 per cent for the week ended February 12 from 11.05 per cent in the previous period, driven by rising prices of milk, egg, meat and vegetables.

"RBI is responsible for management of inflation. But responsibility for food inflation is slightly lower because food inflation arises due to supply side constraints," Subbarao said.

Business Standard

Monday, Feb 28, 2011

Inflation still principal concern, to fall next yr

Press Trust of India / New Delhi Feb 28, 2011, 11:35

The government today said inflation continues to remain a concern, but exuded confidence that the RBI's monetary policy will lead to moderation in inflation numbers in the coming months.

"But it (inflation) clearly remains a concern... But I expect the policy taken by RBI to further moderate inflation in coming months... Average inflation to be lower next year," Finance Minister Pranab Mukherjee said while presenting the Budget for 2011-12.

He, however, said that inflation, specially high food prices, continue to worry and also called for improvement of distribution and marketing systems to bridge the gap between wholesale and retail prices.

"... Difference in wholesale and retail prices is not acceptable," Mukherjee said.

Regarding food inflation, he said: "The total food inflation declined from 20.4% in February, 2010, to less than half, at 9.3% in January, 2011."

Mukherjee also put emphasis on increasing agricultural productivity to curb food inflation.

The government and the RBI have been under pressure due to inflationary pressure, particularly of food products.

The RBI has hiked short-term lending and borrowing rates six times during the current fiscal, including a hike of 25 basis points in its third quarterly review in January.

The government had earlier said it expects inflation to fall to around 7% by March-end and dip to around 5-6% by the middle of the year.

However, the Economic Survey released last week said the high growth rate would also affect inflation, which would be 1.5% more than what it would have been otherwise.

The Survey had also said that high global commodity prices, particularly crude prices, are going to be affected due to the turmoil in West Asia and this may affect the domestic trend also.

Headline inflation has been above 8% since February, 2010. It was 8.23% in January this year.

Food inflation has been in double digits for the most of the current fiscal. According to the latest data, food inflation stood at 11.49% for the week ended February 12.

Skyrocketing prices of vegetables found in every Indian's kitchen, particularly onions, even forced the government to go for an export ban for some period earlier in the fiscal.

Economy to grow by 9% in 2011-12: FM

Press Trust of India / New Delhi Feb 28, 2011, 11:47

India's economy will revert to the pre-crisis growth level of 9% in the next financial year.

"The Indian economy is expected to grow at 9% with outside band of (+/-) 0.25% in 2011-12," Finance Minister Pranab Mukherjee said while unveiling the Budget proposals for 2011-12.

He said the Indian economy has regained the pre-crisis growth momentum, but there is a need for adjustment in the composition in demand and supply side.

"We have to ensure along with private consumption revival in private investment is sustained and matches pre-crisis growth rates at the earliest," Mukherjee said.

Indian economy has already reverted to the high growth path recorded by 8.9% in the first half of the current fiscal.

As per the CSO data released today, in the third quarter (October-December) the country's Gross Domestic Product (GDP) grew at 8.2%.

In the current fiscal, the economy is expected to expand by 8.6%.

Even the pre-Budget Economic Survey tabled in Parliament last week expected the real GDP to grow by 9% (+/-0.25) in 2011-12.

For the current fiscal, the economy is expected to grow at 8.6%, it said.

The Indian economy had grown at a rate above 9% for three consecutive years, starting 2005-06, before the global financial meltdown brought it down to 6.8% in 2008-09.

Govt to increase foodgrain storage space in rural sector

Anindita Dey / Mumbai February 27, 2011, 0:46 IST

The Ministry of Agriculture along with the Ministry of Consumer Affairs has initiated measures to create additional storage capacity for foodgrain, especially in the rural sector.

The Ministry of Agriculture has recommended an enhanced subsidy for its flagship scheme, the Gramin Bhandaran Yojana (GBY), to support rural godowns, by proposing to increase the size of godowns eligible for subsidy from 10,000 tonnes to 50,000 tonnes.

GBY, a capital investment subsidy scheme for construction and renovation of rural godowns facilitates creation of scientific storage capacity to help farmers store produce, processed farm produce, agricultural inputs. The scheme also provides pledge financing, marketing credit and strengthen agricultural marketing.

Similarly, the ministry of food and consumer affairs, finalised the equity structure for the proposed special purpose vehicle (SPV) to increase foodgrain storage facilities. While the Central Warehousing Corporation (CWC) and Container Corporation (CONCOR) will hold 35 per cent each in the proposed SPV, rest 30 per cent is under National Horticulture Board (NHB). SPV, to be launched soon with an initial equity of Rs 3 crore , will then call for private partnership especially for building cold storage chains which are climate controlled.

Under the Food Corporation of India (FCI) sponsored scheme to promote godowns in private partnership with 10-year guarantee, a total of 6-million-tonne capacity of storage facility has already been finalised. State warehousing corporation are in the process of finalising another 1.5 million tonnes of space.

Under the proposed private entrepreneur guarantee scheme of FCI, it would lease private godowns to store foodgrain and the target is to create storage capacity of 15 million tonnes.

The proposed SPV would attract private investment in creation of bulk storage facilities besides playing the role of a think-tank to undertake studies on bulk storage handling and transportation requirement for foodgrain.

Besides, the Planning Commission has initiated a comprehensive study to suggest measures to create modern foodgrain storage infrastructure.

Under the eleventh plan period, GBY scheme proposes to create an additional capacity of 8 million tonnes. The flagship scheme of ministry of agriculture, the Rashtriya Krishi Vikas Yojana, also helps in creating storage facilities and other market infrastructure. Currently, CWC operates 75 custom bonded warehouses with a capacity of 573,000 tonnes, four air cargo complexes, 36 container freight stations/ inland clearance depots of 1.57 million tonnes and three climate controlled warehouses for providing import and export services.

the pioneer

Budget will curb inflation, push growth: Pranab

February 28, 2011 12:02:08 PM

Finance Minister Pranab Mukherjee presented the federal budget for 2011-12 Monday, promising not only to address the twin issue of curbing inflation and pushing growth but also tackling corruption and lack of transparency in governance.

Stating that India had bounced back after the global financial crisis with broad-based growth, he said inflation was a matter of concern, especially food prices, though it had dipped from over 20 percent to around 7 percent now.

"We are reaching an end to a remarkable year with high growth and many challenges. Our growth in 2010-11 has been swift and broad-based. Economy is back to pre-crisis growth trajectory," Mukherjee said in his opening remarks.

"In the medium term, our three priorities of maintaining high growth trajectory, making development more inclusive and improving our institutions remain relevant," the minister added.

This is the sixth such exercise for the 75-year-old politician. He tabled three budgets between 1982 and 1984. The one unveiled Monday was the third successive one for the United Progressive Alliance (UPA) government.

Expectations were high from both households and the corporate sector as this budget is being presented against the backdrop of high inflation, fluctuating industrial growth, erratic exports and a general perception that the reform process has retarded.

"I do not foresee resources being a major constraint, at least in the medium term," Mukherjee said, referring to the money needed to address the larger agenda of growth, social programmes and infrastructure development.

He said the farm sector had shown a rebound with 5.4 percent growth, industry was regaining its earlier momentum and services continued to grow at double digits. He added that fiscal consolidation too was impressive.

Following are the highlights of his speech:

* Economic growth of 8.75 percent this fiscal, 9.25 percent in 2011-12

* Gap between wholesale and retail prices not acceptable

* Setting up independent debt management office

* Public debt management bill to be introduced in parliament

* Seek Lord Indira's blessings for good monsoon

* Introduction of goods and services tax will improve compliance

* Bill will be introduced for goods and services tax in current session

* Government committed to retaining 51 percent in public sector enterprises.

* Foreign direct investment policy being liberalised

* Current account deficit at 2009-10 levels

* Corruption a problem we have to fight collectively

* Development needs to be more inclusive

* Stronger fiscal consolidation needed

* Setting tone for newer, vibrant economy

* Economy has shown remarkable resilience to external and internal shocks

* Economy back to pre-crisis trajectory

* Set pace for double digit growth

* Total food inflation fell to less than 9 percent in January

THE HINDU Business Line

Budget likely to lower farm loan interest rate

Business Line Focus on farming: The Budget is likely to provide sops to the farm sector including reduction in interest rate for timely re—payments and boosting investments in agri-infrastructure. (A file photo)
New Delhi:

With high inflation, especially food prices much beyond comfortable levels, the Budget is likely to provide sops to the farm sector including reduction in interest rate to 4 per cent for timely re—payments and boosting investments in agri—infrastructure. At present, farmers get credit at a rate of 7 per cent.

However, those who clear dues on time get an incentive of two per cent —— paying back at the rate of 5 per cent.

However, PM's Working Group on Agriculture, headed by Haryana Chief Minister Bhupinder Singh Hooda, has proposed that all farm loans should be given at 4 per cent.

Meanwhile, Agriculture Ministry in its Budget wish—-ist has recommended farm loans at 4 per cent for prompt payers. It has also sought more funds for creating agri-infrastructure and enhancing output of millets, vegetables and palm cultivation.

Noted farm scientist M S Swaminathan expects the Budget to announce various steps to boost investments in the farm sector to ensure food security.

"To keep farmers on farm, I hope there would be substantial step up in investment in agriculture through farm loan disbursement at four per cent," Dr Swaminathan told PTI.

High investments in agriculture are crucial, considering growing global food crisis and uncertain climatic conditions, he said, adding that there should be incentives to grow crops such as maize, millets and sorghum.

Dr Swaminathan also expects the Budget to take steps to encourage investments in infrastructure — especially post—harvest and marketing facilities through public and private partnership.

He also hoped that the government would take initiatives to "attract and retain youth in farming" by restructuring the existing schemes like agri—clinics.

Dr Swaminathan said, “Ours is a country of young people and 70 per cent of population live in rural areas. All agri- graduates are not going to agriculture today. The schemes should be restructured to attract and retain youth in farming.”

Tax raids on tobacco cos in Kanpur

Kanpur, Feb. 27:

The Commercial Tax Department of Uttar Pradesh today raided the premises of several tobacco manufacturing companies in the city on charges of evading taxes worth crores of rupees.

The raids were conducted on eight tobacco companies after a report claimed that they had been evading commercial taxes worth crores of rupees, the Additional Commissioner of Special Investigation Branch of Commercial Tax Department, Mr Satrughan Upadhyay, said, adding that around 100 officials of the department were present during the raids.

“This morning we have raided the factories of Pan Parag, Sikhar, Sar, Kesar, Sanjog, Tiranga, Talab, and Wah,” Mr Upadhyay said.

In a raid conducted a few days ago in the offices of these companies in Ghaziabad and Noida, it was found that they were not showing their whole production on papers and thus evading huge amount of taxes, he alleged.

Call to modernise TN's traditional coir sector

Kochi, Feb. 27:

The Union Home Minister, Mr P. Chidambaram, has called for the speedy modernisation of the traditional coir sector in Tamil Nadu and concentration on export of value-added products that are in high demand in the international market.

More employment

Inaugurating the Coir Board's Sub Regional Office at Singampunari in Sivaganga district, he said the Coir industry of Tamil Nadu, the second largest coir-producing State after Kerala, was capable of generating more employment to the rural artisans, mostly women, and therefore, needed to be modernised for workers to earn better wages.

REMOT scheme

He also congratulated the Coir Board Chairman Mr V.S.Vijayaragahavan for bringing in upgraded technology in the traditional coir industry of Tamil Nadu under the Board's ‘Rejuvenation, Modernisation and Technology Upgradation' (REMOT) scheme to make it vibrant and export oriented.

The REMOT scheme implemented by the Board and launched by Mr Chidabharam at Singampunari during his tenure as Union Finance Minister during 2008, has made a lot of changes in the coir sector of Tamil Nadu.

More than 1,400 units have been established under this scheme by providing 40 per cent Central assistance to the coir entrepreneurs.

Grant

Presiding over the function, Mr Vijayaraghavan said the Singampunari Coir Cluster and the Common Facility Centre established under the Board's Scheme of Fund for Regeneration of Traditional Industries (SFURTI), is only a beginning of the modernisation of the coir industry in Tamil Nadu.

An outlay of Rs 6.85 crore had already been approved by the Union Ministry of MSME for the modernisation of the traditional coir sector of Singampuneri, while another grant of Rs 5 crore has also been approved for setting up the CFCs of the Singai Coir Cluster.

Cloves soar on supply squeeze

Good quality, good price: A view of cloves kept for sale.
Kochi, Feb 27:

Cloves prices have shot up in the Indian and international markets on severe shortage caused by crop damage in several producing countries.

Trade sources told *Business Line* that there were buyers for Colombo cloves at Rs 375 a kg. The prices in Colombo have risen to $7,500 a tonne from $6,200 a tonne and “it is on the rise as days pass by”. If the current trend persisted the price might cross $8,400 a tonne, they claimed.

Severe shortage in India is forcing buyers to cover from Colombo at the prevailing prices. The advantage for the Indian importers is the four per cent import duty, they said. The prices for other origins such as Zanzibar and Madagascar are at $7,000 a tonne and it will become costlier as the import duty is at 35 per cent, they said. Zanzibar, Madagascar and Comoros cloves prices would come to Rs 425 a kg at present, they said. The crop in Indonesia, the biggest grower of cloves in the world, has reportedly failed due to unfavourable weather.

The “cigar companies will need 25,000 tonnes, and there is not so much cloves available in any of the origins”, they said.

Indian production of cloves continued to remain negligible when compared with the demand and if the country were to become a net exporter of the commodity from its current status of a net importer, the State and Central governments and the Spices Board would have to provide special emphasis to promote its cultivation. The output continued to vacillate between 1,000 tonnes and 2,500 tonnes as against an annual demand of over 20,000 tonnes.

The current crop, harvesting of which is to commence in late January/February, is estimated at around 1,000- 1,250 tonnes because of the continuous rains in recent months, Mr Ramakrishna Sarma, Managing Director, Travancore Rubber and Tea Company Limited, a major grower of cloves in the country told *Business Line*.

The continuous rains punctuated by occasional sunshine helped healthy vegetative growth, but at the cost of yield, depriving the plants of flowering which is turn has reduced the output by around 50 per cent from the previous season's estimated 2,500 tonnes.

Non-remunerative prices for long in the past forced several growers to switch over to other crops. No motivating efforts have so far been made to bring them back. Even though the prices of other commodities have gone up significantly, cloves prices are oscillating between Rs 250-320 a kg because of import of poor quality material at low prices from other origins for a long time. “Therefore, the real value of Indian cloves has not gone up for over a decade,” he said.

As a result, growers have switched over to more remunerative other crops bringing down the area under cloves to around an estimated 2,200 ha.

Low offerings at Kolkata tea sale

Kolkata, Feb 27:

Last week, at Sale 8, there were no offerings (packages) at Guwahati and Siliguri – signalling closure of the season, according to J Thomas & Company Pvt Ltd., the tea auctioneers. At Kolkata too, the offerings at 149,822 kg were lower than those, 154,397 kg, in the corresponding sale of last year. The offerings at Kolkata comprised CTC/Dust 139,733 kg (146,073 kg), Orthodox 9564 kg (7677 kg) and Darjeeling 525 kg (647 kg).

Selected clean and well made CTCs were irregular around last while the remainder were easier in line with quality. There was fair support from Tata Global and Hindustan Unilever. Western India operated on the better liquoring teas on offer. Local dealers and other internal sections were active.

Selected well made Orthodox varieties were readily absorbed at dearer rates. The remainder were irregularly lower with quality. Stalky varieties were discounted. West Asia shippers and Hindustan Unilever operated. Good support came from North India.

The small weight of Darjeeling teas on offer sold readily at firm to dearer rates following strong internal enquiry.

Pepper turns volatile on Vietnamese crop hopes

Kochi, Feb 27:

Pepper market world over appeared to be sluggish during the week as buyers were quietly waiting for the new Vietnamese crop to enter the market in a big way and the prices to drop. It may not, however, take much time now to know as to how far the long wait would turn out to be fruitful. It will, of course, depend, on the actual crop situation and above all the Vietnamese growers' need for money and ability to hold back for a regulated release.

Meanwhile, if one goes by the arrival trend in India so far during the current season, it gives the impression that availability of new pepper in the country is going to be thin as growers having liquidated their old stocks at good prices in recent weeks are now holding back their harvest.

In the southern districts of Kerala arrivals at the primary markets were very thin, trade sources told *Business Line*. All the contracts on the NCDEX during the week fell sharply. March, April and May contracts dropped by Rs 822, Rs 816 and Rs 968 respectively to Rs 22,713, Rs 22,919 and Rs 23,123 a quintal.

Total turn over fell by 17,323 tonnes to 52,774 tonnes while the total open interest went up by 390 tonnes to 12,248 tonnes indicating additional buying. Spot prices during the week dropped by Rs 400 to close at the weekend at Rs 22,000 (un-garbled) and Rs 22,800 (MG 1) a quintal.

Poor response to Tea Fund from South

February 27, 2011:

Tea Board Executive Director Mr R Ambalavanan today voiced concern about the poor performance of the Special Purpose Tea Fund (SPTF) scheme, especially by the tea gardens in the South.

He urged the corporates to come forward and submit their estimate to enable the Board share the right estimate with the Commerce Ministry.

It may be recalled that an amount of Rs 10 cr was allocated during the last plan period towards the SPTF scheme for replanting and rejuvenation of old tea bushes to improve production and productivity.

‘While the scheme has been accepted well and also utilised by many, the performance of the SPTF in South India is still poor. The estates would have to come forward with their estimates and avail the scheme and be benefited from it,’ he told Business Line.

He spoke on the sidelines of the fourth edition of the National Convention on South Indian Teas being held at The Residency here today.

Responding to a query, he said ‘at times planters contended that the productivity of the age-old bushes (50+ years) continued to remain good and they therefore did not see the need for replanting such bushes at that juncture. The scheme though, is aimed at improving productivity.’

Industry sources meanwhile said that the quality of South Indian teas had improved over the years and some of the teas were comparable to Darjeeling teas. ‘We have more speciality teas coming in now,’ the source said.

On labour shortage, the source said that for some years now, the gardens have been giving shelter to labourers who came forward from up country destinations such as Bihar and Rajasthan to tackle the situation. ‘The entire family move in. We not only provide shelter, but also establish schools in rural pockets to enable them educate their wards. It is becoming difficult,’ the source added.

To a question on the demand supply gap of labour in plantations, the source said ‘around 30 per cent.’