

**MINUTES OF THE 68<sup>TH</sup> MEETING OF THE SPICES BOARD**  
**HELD ON 30<sup>TH</sup> MARCH, 2010**

The 68<sup>th</sup> meeting of the Spices Board was held at 2.30 p.m. on 30<sup>th</sup> March, 2010 in the Board's Head office at Kochi.

Shri V.J.Kurian, IAS, Chairman, Spices Board presided over the meeting.

The following Members were present:

1. Shri P.T.Thomas, MP(LS)
2. Shri Anant Kumar Hegde, MP(LS)
3. Dr.Viju Jacob, Vice-Chairman
4. Shri Mangat Ram Sharma
5. Smt. Sutapa Majumdar
6. Shri Roy K. Paulose
7. Shri Jose Kompanathottam
8. Shri G.Muraleedharan
9. Shri Abul Kalam
10. Shri Jojo George
11. Shri George Valy
12. Shri Mathavan
13. Shri Ajay J.Mariwala
14. Smt. Sushama Srikandath
15. Shri Philip Kuruvilla
16. Shri P.J.Kunjachan

Leave of absence was granted to the following Members:

1. Shri Tiruchi Siva, MP(RS)
2. Shri S.Ahmed
3. Dr. V.Prakash
4. Dr. V.A.Parthasarathy
5. Shri N.C.Saha
6. Shri V.D.Alam
7. Dr. N. Murughasan
8. Shri K.C.Pradhan

The following Members were absent:

1. Secretary, Agriculture, Govt. of Kerala
2. Representative from the State of Sikkim
3. Shri Rajendra P.Ghogale

The following officers of the Board were present:

1. Shri S.Kannan, Director(Mktg.) & Secretary
2. Dr. Charles J Kithu, Director(Fin.)
3. Dr. J.Thomas, Director(Res.)
4. Shri H.S.Srinivasa, Director(Dev.)

At the outset, Chairman welcomed the Members and introduced the Members attending for the first time, viz. Shri Anant Kumar Hegde, Hon'ble MP(Lok Sabha), Shri Mangat Ram Sharma, Director(Plantations), Ministry of Commerce & Industry and Smt. Sutapa Majumdar, Director (I.E Division), Planning Commission. The notes on agenda were then taken up for discussion.

**Item No.1: Confirmation of the minutes of the meeting of the Board held on 15.1.2010**

Confirmed.

**Item No.2: Action taken report on the 67<sup>th</sup> Board meeting held on 15.1.2010**

Shri S.Kannan, Secretary briefed the action taken on the decisions of the Board meeting held on 15.1.2010. As regards the Distribution of awards for excellence in spices exports for 2007-08 and 2008-09, it was informed that the programme has been fixed on 9<sup>th</sup> April, 2010 and Chairman invited all the Members to the function being held at Cochin.

Regarding the preparation of a project report for Pepper development in Karnataka, it was decided that after the Board meeting on 30<sup>th</sup> March, 2010, Shri Anant Kumar Hegde, Shri Abul Kalam and Director(Dev.) will discuss and a broad framework for the proposal will be prepared for sending it to the Government through State Horticulture Mission for approval.

**Item No.3: World Spice Congress, 2010**

Director(Mktg.) briefed that a record number of delegates from both overseas and India participated at the X World Spice Congress held during February 3-5, 2010 at New Delhi. It was also revealed that small and medium level exporters were largely benefited by the WSC.

Smt. Sushama Srikandath congratulated the Spices Board for the magnificent organization of the Congress. The business session speeches and discussions were also uploaded within a short period. She wanted to announce the venue of the next World Spice Congress.

Chairman informed that we would convene a meeting shortly to approve the expenditure of the WSC Account during which we can decide on the next venue.

Shri G.Muraleedharan urged that the growers should also be included as participants in the WSC, to which Chairman agreed.

**Item No.4: Budget allocation for 2009-10 and Estimate for 2010-11:**

Shri Mangat Ram Sharma, Director, MoC&I informed that the budget allocation for 2010-11 is Rs. 85.00 crores under plan which is 40-50% more than the allocation of previous year, compared to 30-35% increase to other organizations.

Shri S.Kannan drew the attention of the Director, MoC&I that the total allocation for the first 3 years of the plan period is much less compared to the XI Plan approval of Rs. 442.86 crores. Shri Mangat Ram Sharma assured that the requirement of more funds will be looked into, at the time of RE.

Smt. Sutapa Majumdar also supported the need for increased allocation since a lot of activities are taken up by the Spices Board.

Shri Philip Kuruville demanded increased budget allocation for the export-oriented backward integration programme as decided in the Exporters' meeting held on 30<sup>th</sup> March 2010 morning on Pesticide residue issues.

**Item No.5: Small Cardamom Productivity Award for 2009-10**

Dr. J.Thomas, Director(Res.) outlined the procedure followed for selecting the award winners. The Field officers invite applications from the cardamom growers which will be sent to the Head office for screening. The productivity is assessed for a particular financial year. The Board also encourages the women cardamom farmers by awarding prizes.

Participating in the discussion, Smt. Sutapa Majumdar enquired about the national average productivity of cardamom and the reasons for the higher achievement by the award winners. It was clarified that the productivity depends upon many factors like inputs like fertilizer, water and climatic conditions and the achievers are spending huge amounts for higher productivity.

Shri Anant Kumar Hegde enquired whether there is any market intervention scheme for Cardamom. Chairman informed that at present there is no scheme for market intervention, but the Board requested the Government for Price Stabilization Fund for Pepper in the light of ASEAN Free Trade Agreement.

The Board approved the winners of the award as proposed in the Notes to the Agenda.

**Item No.6: Large Cardamom Productivity Award for 2009-10**

The same procedure is followed for large Cardamom also. The Board approved the winners of the award as proposed in the Notes to the Agenda.

**Item No.7: Vanilla Productivity Award for 2009-10**

The Board approved the winners of the award as proposed in the Notes to the Agenda.

**Item No.8: Plantation Labour Welfare Scheme of the Board – Continuation of the scheme during 2010-11**

The Members enquired about the selection process of educational institutions and the beneficiaries. Accordingly, Director(Res.) explained that a Committee is scrutinizing the applications received from the educational institutions for aid and priority is given for providing drinking water facility, toilet facility and Girls' institutions in extending grant-in-aid.

The Board approved the proposal for utilizing Rs. 5.00 lakhs each under stipend to the children of cardamom estate workers and grant-in-aid to educational/medical institutions during 2010-11.

**Item No.9: Status Note on the Establishment of Spices Parks**

Director(Marketing) explained the status of establishment of Spices Parks at Sivaganga, Jodhpur, Jhalawar, Chhindwara, Mehsana and Guntur.

Regarding Jhalawar, it was informed that the Spices Board is considering establishment of Nursery for supplying better planting material and demonstration of organic cultivation of selected seed spices and requested the support of the Ministry for the proposal. Shri Mangat Ram Sharma enquired about the role of Spices Board in establishing nursery and demonstration plot. Chairman clarified that much of the action should come from the Government of Rajasthan. For common infrastructure like road, water and electricity, Government of India has also been requested. Shri Mangat Ram Sharma suggested to send a proposal detailing the area where the Spices Board needs assistance from the Government of Rajasthan so that it can be taken up at the Government level.

**Item No.10: The progress of Spices Park at Puttadi in Kerala**

It was informed that the Spices Park project at Puttadi in Kerala is almost complete and ready for inauguration. The Board is trying to get the date of Union Minister for inauguration. Shri P.T.Thomas, Hon'ble MP informed that he will try to get the date of the Minister for inauguration of the Park.

Shri G.Muraleedharan informed that there was a discussion in the Kerala Legislative Assembly the other day on the Spices Park at Pachadi in Idukki district and the allotment of the land to the Spices Board for the purpose.

Chairman welcomed the decision and offered Board's cooperation to the Government of Kerala for establishing the Park.

**Item No.11: Status Note on the Establishment of Quality Evaluation Laboratories (QEL)**

Director(Mktg.) explained the status of establishment of Quality Laboratories in Guntur, New Delhi, Tuticorin, Chennai, Kolkata, Kandala and the expansion work at the Mumbai laboratory.

To a query from the Members, it was informed that on an average, 55 samples are analysed in Mumbai and 150 samples in Cochin per day for various parameters at present. Once the facility at the Mumbai laboratory is added, quality testing can be extended for other parameters also. Smt. Sushama Srikandath enquired whether the data on quality analysis of

samples available is being utilized for improving the quality aspects of the spice products meant not only for exports but for the domestic market also. /Chairman clarified that most of the samples were analysed for the presence of Sudan dye and aflatoxin and ensures that the lot found contaminated with Sudan dye is destroyed in the presence of the Board's official. He welcomed the suggestion of using the data for quality improvement of spice products for domestic use also besides for export purpose. It was also informed that the Board is in the process of collecting farmers' samples for analysis of pesticide residues and the results can be shared with other departments for taking suitable measures to improve the quality of spices produced in the country.

Shri Philip Kuruvilla stated that the exporters are all proud to see that the Spices Board's Quality Laboratories are coming up in various parts of the country. The QEL at Guntur will help to a greater extent to the promotion of exports from Andhra Pradesh. The Spices Board deserves appreciation from all of us, he added.

As regards the allotment of land for the QEL at Kolkata, it was informed that even after remitting the requisite money, we are yet to get the land allotted by the Government of West Bengal.

The land allotment for the Spices Board by the Kandla Port Trust is under consideration of their Board and expected to be approved soon. Thereafter, the Board will approach the Government of India for approval of the proposal under ASIDE.

**Item No.12: Functioning of the Quality Evaluation Laboratory at Cochin in new building**

It was informed that the state-of-the-art Quality Evaluation laboratory at Cochin in the new building has started functioning from 16.3.2010. Chairman invited all the Members to visit the Laboratory. Dr. Viju Jacob informed that he has visited the laboratory and it is excellent and even comparable to the standards available in European laboratories.

**Item No.13: Status of consignment samples analyzed by Quality Evaluation Laboratories, Spices Board**

The Board noted the status of samples analysed and certified.

**Item No.14: Spices Export from India during April-February 2009-10**

Director(Mktg.) briefed the export performance of spices during April,2009-February, 2010 in comparison with the performance during the corresponding period of last year. Compared to the performance of the same period, the export in terms of dollar value and volume has declined a little, but we expect to overcome this by March.

The Board discussed in detail the export performance of various commodities. The cardamom export has performed exceedingly well and the major reason for this was the crop failure in Guatemala. The price of cardamom(small) is also very good which has now crossed Rs. 1,000/- per Kg.

Smt. Sushama Srikandath enquired whether the Board has received any representation regarding what is happening in the turmeric market. The price of turmeric has gone up very high. Chairman informed that the Board has not received any representation regarding the price rise in turmeric.

Shri P.T.Thomas requested the Board to go in for GI Registration of spices. Chairman informed that the Board has already obtained GI Registration for Malabar Pepper, Alleppey Green Cardamom and Coorg Green Cardamom. Applications for GI registration for Byadagi chilli and Guntur Sannam chilli are pending with the GI Authority. The Board is also in the process of obtaining GI registration for Erode Turmeric, Tezpur chilli, etc.

To the query of Smt. Sutapa Majumdar about India's share of cardamom in the global market, it was informed that while India's production is around 12,000 MTs, the production of Guatemala is around 30,000 MTs. If there is crop failure in Guatemala, the market and price for Indian cardamom will be better. Kerala and Karnataka continue to be the largest producer of cardamom (small). Our farmers are happy now with the better price in recent years. A larger quantity of cardamom is also brought to the auction.

Shri Anant Kumar Hegde wanted to know whether the Board has conducted any study on the production, domestic consumption and market situation, especially when the Turmeric has huge market. Chairman explained that the Spices Board has established Task Force Committees consisting of the officials from the State Horticulture & Agricultural departments, major exporters, Agricultural Universities, Growers and Traders, for each item of spice, which

are addressing all major issues including production and export estimation. We also get field data about the production, price, etc. from each State.

The Board noted the export figure for the period from April, 2009 to February, 2010.

**Item No. 15: Review on import of spices into India during April-February 2009-10**

During the discussion, it was explained that the import of spices into India during the period April 2009-February 2010 has increased to 96,145 MTs from 78,840 MTs during the corresponding period of last year. The import of spices was mainly for value addition and re-export. Dr. Viju Jacob stated that the Spice industry is importing Paprika from China for extraction and re-export. China is going to be a major competitor for India. Shri P.T.Thomas drew the attention of the Members to the growing size of import of spices. He suggested to the Board to propose a stimulus package to exporters who are increasingly using indigenous spices for value addition and export. This will help the farmers to get better price as it is always noticed that the price of pepper in the domestic market comes down at the time of harvesting and the farmers are not benefited with the increase in price. The farmers are facing difficulty due to high labour charge and acute shortage of labourers. The Spices Board can also consider keeping pepper in warehouses for some years. Chairman welcomed the suggestion and requested the opinion of the members.

Smt. Sushama Srikanth said that the Spices Board has implemented a WTO Compatible scheme giving transportation subsidy for export of pepper during 2005-06 and at that time, the EOUs were excluded from the beneficiary list. Shri Ajay Mariwala said that giving incentive or subsidy is only a short term measure and we have to look for long-term strategy to increase the production and productivity so that exportable surplus is available at a reasonable price.

Shri Philip Kuruvilla opined that unless we create exportable surplus, the imports will go up. We are likely to lose our overseas market, if the export does not pick up. We are importing spices for extraction and processing and re-export. Today, the world is looking at India for supply of value added spice as we have the state-of-the-art processing facilities.



Shri Anant Kumar Hegde stated that the Spices Board is now concentrating only on Cardamom production development. He suggested that the Spices Board Act needs to be amended to include production development and domestic marketing of all the spices, besides cardamom, in the mandate of the Spices Board.

Shri P.T.Thomas expressed concern over the decline in the price of Vanilla. Smt. Sushama Srikandath stated that natural vanilla users in Europe and USA are shifting back to artificial vanillin due to high price of natural vanillin.

**Item No.16: Detailed Note on the Centralized and Decentralized E-Auction in Cardamom (Small)**

Director(Mktg.) explained the circumstances under which the Board had started the e-auction centres at Bodinayakannur and Vandanmedu. The introduction of e-auction system in Cardamom (Small) was considered due to the reported misuse and possible manipulations which had affected the growers' interests. It was also explained that both the centres are functioning satisfactorily and there have been no complaints against the system. The system was also to ensure better price and transparency to the growers. Under the e-auction system, the farmers have absolute freedom to put their produce in any of the collection centres in the growing region being operated by different auction companies. The new system is not compelling any farmer to bring produce to a particular auction or auctioneer. More quantities of cardamom are now coming for e-auction. A fullfledged facility of e-auction is coming up at the Spices Park, Puttadi. There will be adequate facility for the farmers to participate in the auction. A facility to see the auction proceeding on the LCD screen and public announcement system to have a final say on their lots pooled for auction is an added feature at the e-auction centre at Puttadi. The cardamom farmers are the major beneficiaries of the e-auction. Three growers' associations who are actively associating with the industry have also agreed to continue with the present system. Majority of the auctioneers have also expressed their difficulty in having the e-auction system in their own centres. When the centralized e-auction system is working efficiently and no complaints have been received from any of the stakeholders of the cardamom industry, there is no justification to change it to a decentralized system.

In the wake of fresh demand for decentralized auction system in Cardamom(Small) at the private premises, the Board had a detailed discussion on this agenda item.

Shri P.T.Thomas drew the attention of the Members to the Circular dated 29.8.2007 issued by Sri S.Kannan, Director(Mktg.) and he read out the same, in which it was stated that **"..... In view of the above, M/s CPA and STCL are advised to conduct future auctions only in electronic system. While we request all other cardamom auctioneers to speed up shifting to E-auction system they may also consider conducting auctions in electronic system if they so desire in CPA Hall at Bodinayakannur until such time they set up their infrastructure for conducting electronic auction at their own centres, on the day allotted to them....."**. The Hon'ble MP wanted to know why the Spices Board now wants to go back on what they have stated in this particular Circular and what made the Board to issue such a circular.

To this, Director(Mktg.) informed that at the time of introducing e-auction system, the Board approached each and every auctioneer for setting up e-auction centres and nobody was willing to invest for the e-auction centres. At the initial stage of discussion on the new system, the traders were not willing and commented that they were not used to such a system. When there was no suitable accommodation available for establishing the e-auction system, the CPA at Bodinayakannur came forward to assist Spices Board with sufficient space in their hall to conduct the e-auction. The traders were initially against the system and they have even boycotted it on a few occasions. Considering the investment and growers' interests, e-auction system established by the Board continued. But, to everyone's surprise, both traders and auctioneers accepted the new system wholeheartedly. When the Spices Board started an e-auction centre at Bodinayakanur, the farmers of Kerala also wanted to start such a system here. Vandanmedu is an important place of cardamom trade for decades and so we started one more centre there.

Since Shri P.T.Thomas was not satisfied with the reply, Chairman intervened to say that the offer made to the auctioneers for starting their own e-auction centres was made in August, 2007 before setting up the e-auction facility with the Government funds. When the Board approached the auctioneers for setting up the e-auction centre, nobody was willing to take the risk and invest in the E-auction centre. The Government took the risk of establishing the e-auction centres and provided Rs. 1.00 crore for creating common infrastructure. While

the Board got very good response from the farmers for the e-auction, the traders boycotted the auction. Spices Board had called a meeting of traders, auctioneers and farmers and requested everyone to participate in the e-auction. M/s KCPMC and CPMC had also participated in the above meeting and did not raise any objection to the new centralized auction system. They also did not make any offer to put up an E-auction centre. At this juncture, as per the request of the traders, the Chairman had also assured them that the e-auction would not go "on-line" till May, 2011. Everything was going on smoothly for almost two years. It was only in 2009 that M/s KCPMC came up with a new demand of decentralized e-auction. The fact that the quantum of cardamom for auction has gone up shows that the system is functioning very satisfactorily. As the e-auction system was set up with such a huge investment of Rs. 1.00 crore, there is no justification for its dismantling and changing the system. The present keenness to invest by some people on the e-auction system may not be in the interest of the farmers.

Shri Jojo George stated that there is no doubt that the e-auction system is accepted by everybody and functioning very well. The licence for the auction is given to the auctioneers by the Spices Board. The KCPMC started the auction in 1986 and invested over Rs. 3.00 crores or so in the infrastructure for the auction. Hence, it will not be difficult for them to invest about Rs. 1.00 crore for establishing an e-auction centre. In spite of meeting the Chairman, Spices Board personally to explain the issue and of submitting 3 representations, none of them was considered. As regards the mention of the Spices Board Meeting Minutes, Sri Jojo George was of the opinion that the interests of the auctioneers were not fully reflected in the Board meeting minutes. The major disadvantage of decentralization as stated in the Notes on agenda for the meeting is that there exists disparity between the auctioneers. There is no question of parity in the auction. We also do not dispute the facilities provided and proposed at the Spices Park at Puttadi.

Shri Jose Kompanathottam, Shri G. Muraleedharan and Shri Roy K. Paulose also supported the centralized e-auction system. They opined that no farmers' association is supporting the decentralized e-auction system and they are happy with the present system.

Shri P.T. Thomas stated that while the decentralization is taking place everywhere, there is no point in centralizing the e-auction system. Let anybody start auction anywhere.

He expressed displeasure over the matter that the letter sent to the Hon'ble Minister of Commerce & Industry by him and the reply from the Minister on the issue was published in *Deshabhimani*, Malayalam daily and he was sure that it was not from the Minister's office that the letter has been leaked to the media, may be from the Spices Board.

Shri Roy K.Paulose said that the issue of leaking the letter sent by the Hon'ble MP to the Hon'ble Minister, to the media is not good and the issue needs to be discussed.

Shri G.Muraleedharan informed that Shri Jojo George approached him before the last Board meeting with some papers stating that it contained letter sent by Shri P.T.Thomas to the Minister and wanted to endorse the request for decentralization of e-auction system. Shri George Vally also stated that he too was approached. Since the letter of the Hon'ble MP was circulated to various persons, the media might have received the copy of the letter from such incident. Shri Jose Kompanathottam stated that he has also seen the above letters with Shri Jojo George.

Chairman stated that it is now clear from where the letter has been leaked to the media. The Spices Board has nothing to do with it. Chairman also informed that it is only due to the demand from the Hon'ble MP that a Note on the merits and demerits of the e-auction system has been taken up as an Agenda.

Shri Philip Kuruvilla expressed the view that whatever the Members are talking here should not be for the furtherance of any individual interests. We are all representing here the interests of the spice farmers, exporters or other spice related matters and should not take up personal agenda.

Shri Mangat Ram Sharma opined that as the new centralized e-auction centre is going to be inaugurated at Puttadi, we may wait for few more months to watch the performance and if there is any problem or fault, the same can be discussed and solved.

Shri P.T.Thomas, MP stated that e-auction can be conducted anywhere by anybody. It need not be in the centralized form alone. There is no problem in having one more centre besides those at Bodinayakannur and Vandanmedu.

Chairman reiterated the stand that nobody has complained about the functioning of the centralized e-auction system. The major cardamom growers' associations have given us in writing for the continuance of the system. Especially when the Government and the Spices Board already made a lot of efforts and investment on the system, it is inappropriate to stop its functioning. None of the stakeholders in the Cardamom auction except the two auctioneers have demanded any change in the present system. The Board had sorted out all the issues through mutual dialogues between all stakeholders. The Board had also assured the dealers that there will be no online trade in cardamom till May, 2011. The collapse of CMC, one of the major cardamom auctioneers, should be in the minds of the farmers and others who suffered at their hands.

Shri Ajay Mariwala said that since the Board had different views on the decentralized e-auction centres by majority or otherwise, we may decide that the decision of the Chairman shall prevail.

Accordingly, the Board decided to continue with the present centralized e-auction system in Cardamom (Small).

**Item No.17: Proposal for modifying the existing ACP scheme with Modified Assured Career Progression Scheme (MACPS) in the Spices Board**

Secretary briefed the features of the present ACP scheme and the MACPS. The financial implications and further details can be worked out and sent to the Ministry in due course.

The Board approved the proposal for sending it to the Government along with financial implications for consideration.

**GENERAL**

**Drying yard and Silpaulin sheet schemes**

Shri Abul Kalam raised the issue of distribution of Silpaulin sheets and construction of drying yards for the benefit of pepper farmers in the State of Karnataka. Shri Anant Kumar

Hegde also wanted to know why the programme is not implemented in Karnataka although the programmes of distribution of Silpaulin sheets and construction of drying yards were sanctioned in the XI plan schemes.

Director(Dev.) informed that the Spices Board was implementing the drying yard scheme in respect of chilli/pepper growers and the same has not been implemented during 2009-10. The Board is giving Silpaulin sheets for drying chilli in the Byadagi chilli growing tracts. The scheme for construction of drying yard is not implemented in Karnataka for pepper as the Coffee Board is operating similar scheme, which can be availed by the pepper growers in Karnataka, where pepper is intercropped with coffee.

Chairman informed that the scheme of Silpaulin sheet supply is implemented now for chilli farmers only.

Shri Abul Kalam and Shri Anant Kumar Hegde urged to explore the possibility of implementing drying yard and supply of HDPE Tarpauline sheets in place of Silpaulin to benefit the Pepper planters in Karnataka and the same may be considered for implementation from next year.

Chairman informed that during the implementation of drying yard scheme in AP, the Board had noticed a lot of misuse and that is the reason the Board is not implementing the scheme now there. Chairman assured that if the demand is found genuine, we may consider implementing the scheme in Karnataka.

The meeting came to an end at 5.30 P.M. with a vote of thanks to the chair.

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