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Globalization and Coffee Crisis in Karnataka: Legal, Environmental and Labour issues

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Abstract

In India, Karnataka is a major exporter of coffee with nearly 70% of the total production being exported pressurized the government for the early dismantling of the coffee board and generated the impression that globalization is the magic solution. The Coffee Board which acted as a monopoly has been taken over by the private business companies is feeling the impact of steep decline in prices by the vagaries of free trade that govern the industry internationally. What were the politics outlined by different coffee plantation unions, parties, government and state for agrarian mobilization? Why did the movement fail to become a comprehensives movement of the labourers in the politics of Chikmagalur District?

Keywords: Arabica, Robusta, encroachment, Coffee Board, forest, Karnataka Planters Association, United Planters Association of India

Commercial Agricultural Setting

The commercial agricultural setting of the Chikmagalur District is dominated by coffee cultivation, are extensively marketed. The Chikmagalur District is divided into seven taluks, Chikmagalur, Mudigere, Koppa and Sringeri, while Tarikere sub-division has jurisdiction over the taluks of Kadur, Tarikere and Narisimharajapura. The two important varieties of coffee grown on commercial scale are Arabica and Robusta were arabica are grown at high attitudes ranging from 3,500-4,500 feet above sea level where the annual rainfall is 200cm, whereas robusta are grown at lower altitudes of 1,500-2,500 feet above sea level. In Karnataka coffee is grown basically in three districts chikmagular, Hasan and Kodagu are adjacent to one another in a linear direction. The other areas were coffee is grown in Waynad and Nilgiris constitute 80 percent of the Indian coffee area is concentrated here and hence the focal point region of the crisis.

The cultivation of coffee was introduced by *Hazrat Shah-Janab Alla Magatabi* also named as Baba Budan a Sufi saint of Attigundi in 1600 A.D near Kadur district. He brought seven seeds from Yemen on the way back from Haj holy pilgrimage and raised seedlings on the hills, which proved ideal for coffee cultivation In 1831-1881, the British took over the administration of the Mysore state from the Krishnaraja Wodeyar III on the pretext of misrule. The commissioner Mark Cubbon (1834-1861) abolished contract system and decided to put export duty on coffee and threw open the coffee cultivation to free competition. This resulted in the commercialization of coffee and its gradual acquirement of the proportion as an industry (Muthiah, 1993).

The commercial crops like coffee reduced between 1881 and 1911 due to failure of rainfall and the industry remained stagnant up to 1947 by the rise of the coffee industry in Brazil. The 1974 Land reforms Act, continued the trend from 1961 Act with regarding to exemptions from ceiling to plantations, co-operatives, sugar mills, and joint farming societies, because the breaking of the plantation into small farms may result in decreased production and in turn will hit the foreign exchange (Pani, 1988).

Coffee is the major crop in Chikmagalur and cultivated both in large and small holdings. Indian coffee comes from 1.57 lakh holdings were 70 percent of these are than 2 hectares in size and are categorized as “small holdings”. The second category is “large holding” are those which are more than 10 hectares in size to 100 hectares constitute 1.6 percent of all holdings and carve up 23.5 percent of all land under coffee . The third category constitute holding size above 100 hectares are generally called as “company estates” constitute only 0.1 percent or 105 such holdings (Raji, 2004).

Planted Area of Coffee in Karnataka State

Sl.No.	**State/ District**	**2001-2002**		
		Arabica	**Robusta**	**Total**
1.	Chikmagalur	58,330	28,225	86,555
2.	Coorg	26,110	56,250	82,350
3.	Hassan	25,030	7,040	32,070
4.	Mysore and Others	800	0	800
	Total	1,10,260	91,515	2,01,775

Database on Coffee (2003): Market Intelligence Unit, *Coffee Board*, Bangalore.

Coffee Board

The marketing of the bean had been under the monopolistic control of the coffee board, an autonomous body functioning under the Union Ministry of Commerce and Industry. The centralized coffee procurement made it obligatory on the part of the coffee growers and receives his returns on the basis of quality and quantity of the produce pooled, and did not share the profit it earned from the sale of coffee in the international and domestic market with the growers (Coffee, 2001).

In 1992-93 the central government amended the Coffee Act of 1942 and announced that 30% of coffee that was produced could be retained by growers for sale under the Free Sale Quota

(FSQ). IN 1994 it made yet another amendment and raised FSQ to 50%. In 1996 pooling of coffee with the Coffee Board was totally abolished. The market was totally deregulated and the Coffee Board was reduced to any advisory body. The coffee market is characterized by cycles with short periods of high prices and extended period of depressed prices, due to variations in supply (Indra, 1995). Consequently, the price of coffee rose in the next few years. By 1997-98 periods, the price of coffee beans went up to Rs 130 per kilo. Soon, the private cartels put their monopoly over the coffee market and prices declined in the following years (George, Jose and P. Krishna Prasad, 2006).

Coffee prices

In 2000 India exported 2.53 lakh tons of coffee and this dropped to 2.19 lakh tones in 2001 and in value terms it was down from 1,685 crores to 2.19 lakh tones in 2001. The decline in foreign exchange continued for the next few years and exports fell from 2.14 lakh tones in 2002 to just 1.86 lakh tones in 2003. The fall in prices had its effect on the two types of coffee grown in Karnataka. Robusta is more widely produced and constitutes 64 percent of Indian coffee production. Between 1998 and 2002, Robusta prices decline from Rs.71.90 to Rs.28.70 per kg. The other variety Arabica dropped from 96.80 to 36.7 per kg during the same span. The Board has been seized down and the big companies have carved up its active business operations. The food industry has undergone its own process of consolidation, resulting in the emergence of a group of super-large international firms such as Proctor & Gamble, Philips Morris, Sara Lee, Nestle and Chabby control 50% of the market that is produced by 2.5 crore growers and workers in 5 lakh farms world over. These MNCs purchase 40 percent of the coffee beans process and blend coffee powder and market the same world over. In this process they grab huge share of the profit extorted from millions of growers and consumers (Patnaik, 1996).

Private Coffee Companies

In the sphere of exports, few huge companies handle most of the coffee cargo that goes outside the country. Ramesh Exports Limited of Ramesh P Rajah, Madhu Jayanthi International of Ashwin Shah, Allana and Sons Ltd of Nallamuthu, ABCL of V.G.Siddharth and Karnataka Coffee Brokers Private limited of B. Arun Biddappa have a total control of all coffee that is exported from India. According to V.G. Siddhartha the coffee king of Karnataka has 2,500 acres of plantations in Chikmagalur, the heart of the coffee growing region of Karnataka. He exports about 28,000 tonne of coffee annually, sells another 2,000 locally for about 350 million each year and his coffee growing and trading company Amalgamated Bean Company has an annual turnover of Rs.25 Billion.

Tata ventured into the domestic marketing of coffee from 1993 under the big brand names. The company made the biggest strides during the coffee crisis that set in from 1998. The Tata coffee along with the multinational company like Turner Morrison, purchased equity worth Rs. 50 crore in the Mauritius based Barista Coffee International. Barista International is in fact the subsidiary of the New Delhi based Barista Coffee Company in which Tata coffee obtained a 34.3% stake. The Indian coffee brand Café coffee Day was among the first coffee café to start operations in India in 1996 but was the last to go national (end of 2001).

The other reasons for the crisis were due to drought, pests and diseases virtually destroying plantations in an epidemic pattern and this has resulted in retrenching of labour by 50%. Coffee growers who have availed various types of loans from past four years to withstand the financial crises and sustain themselves are reeling under heavy debt burden, since the sale realization has gone below the cost of production.

The bigger organizations like Karnataka planters associations affiliated to United Planters Association of India (UPASI) was founded in 1893 and is an important link between the government and the industry. The more balanced approach of these associations has been respected by the respective state and central Government. This is one of the reasons why, in spite of heavy losses and debts, reports of coffee planters committing suicide are unheard of in Karnataka. The government measures to coffee producers such as debt rescheduling and temporary downscaling of interest are not as helpful to the peasantry as they are to the big landlords who draw all their loans from banks. This sort of severe crash of prices has drained the small farmers of their earnings and the steep hike in the input costs due to withdrawal of subsidies, hike in the price of fertilisers, electricity, water, diesel, seeds and plants etc. has made agriculture too expensive (Sharma, 2003).

Small growers

The response of the trade unions and peasant organizations to the crisis has been sedate as different organizations came together to form a Joint Action Committee and submitted a memorandum to Government of India. It organized a strike by workers on 11th December 2000 demanding various tax concessions to “Save plantation Industry and its workmen”. The biggest union working in the plantation sector is All India Trade Union Congress (AITUC) having a member ship of around 7,000 members. The small growers pay labourers around Rs 55 and the work is divided among the contractors and there are no statutory benefits. Coffee is a major source of supplementary income for the poor and middle peasants comprising of schedule caste, schedule Tribe, Backward Communities. They work from December to March in the plantations under unhygienic conditions and manage to save up to Rs 5,000 during this time. The total number of casual labour that works on these lands is estimated at 5.35 lakhs. This estimate made by the coffee board does not include the contribution of family labour, which comes around 10 lakhs worker families are depending on the industry.

The majority of the labourers belonging to the big companies comprise fully attached labourers from Tamil Nadu and Kerala who is tied to his employer for duration of one year. They are known for their hard labour work and are paid around wages of around Rs 74 to 78, and are subjected to various statutory benefits like education to their children’s, medical care and other benefits which lead to around Rs 120-128. The coffee industry has witnessed the further monopolization of Land for coffee cultivation during 1980-81 was 17,894, which have doubled by 32,035 in 2001-02, by encroachment of adjoining forestlands. In the last two decades the poor peasants as well as the big landlords have encroached land due to coffee cultivation and rise in the land prices (Menon, 2002). The encroachment of forest land for coffee cultivation by big influential people have cleverly turned the crisis against the labourers by arguing that it would adversely affect the job opportunities and uncertainty for the workers in the coffee estates. The Supreme Court fearing the scale of encroachment passed an interim order dated 19th December 1996 on a writ petition (No.202 of 1995 in T.N.Godavarman Thirumulpad Vs Union of India and others jeld that non-forestry activities in forest areas constitutes prima facie a violation of the Forest Conservation Act 1980 and directed that every state government ensure that cessation of all such activities.

Supreme Court and encroachment

Following with the pressure of the encroachers in 1991, Karnataka Government petitioned to the Government of India to regularize about 17,007.23 hectares (in 21,569 cases) of forestland encroached upon prior to April 1978. The Centre had the areas surveyed and in order dated May 15th 1996, agreed to the regularization of 14,848.83 ha (involving 19,348 cases), by the following categories of persons shall only by regularized but subject to certain conditions. The Supreme Court had directed that 1978 should be the cut-off year for legalizing encroachment and those who encroached later should be evicted. In individual cases (including forest encroachment), and in the case of persons belonging to the Schedule castes and Scheduled tribes (SC/ST), Landless marginal agricultural labourers and those holding an insufficient extent of land- up to 3 acres of agricultural land. The person concerned should be a domiciled for at least 10 years in a village adjacent to which the forestland encroached by him lies. In the case of landless marginal agricultural labourers the encroacher or his family should not hold or own any agricultural land anywhere in Karnataka and the total annual family income should not exceed Rs. 8,000. The order of the Government of India had decreed that encroachments should not be regularized in the midst of forests, on steep slopes or in the middle of national parks or sanctuaries. The blame lies on the slow pace of the State Government machinery and forest officials, in dealing the problem because of influential politicians involved in encroachment (Thippaiah 2005).

Conclusion

The coffee crisis has been diverted by the Hindutva forces through its agencies like Bajrang Dal and Vishwa Hindu Parishad against Muslims by raking up the Baba Budangiri dargah. In fact, many Muslim as well as Hindu rulers have patronized the Dargah. The Dargah/Peetha itself bears witness to the syncretic culture. The spaces left over by the left parties and the coffee labouers comprising of dalits and the tribal people constitute the major force from the plantation labour force; have joined the Sangh Parivar when it came to religious mobilization.

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