

# **DEVELOPMENT DEPARTMENT**

## **CHAPTER I**

### **ORGANISATION AND FUNCTIONS**

#### **Introduction**

1. The coffee development plan was launched by the Coffee Board towards the close of 1956 recognising the need for increasing production of quality coffee in India. The Board drew up a Five year Development Plan of the industry and submitted to the Govt. of India for approval in February 1956. The Government's approval was conveyed to the Board by the Ministry of Commerce and Industry in their letter No. 10(7)/Plant/55, dated 28-7-1956 and the Plan was put into operation in October 1956. The area under cultivation of coffee at that time was 105,380 hectares and the average annual production was about 34,000 tonnes (triennial average for the period 1954-55 to 1956-57). The average yield per unit stood as low as 325 kg. per hectare which was just about 50% of the world average yield at that time.

2. In formulation the plan, the Board had taken note of the fact.

- (i) that there existed a definite need for increased production of Coffee in India by systematic intensive cultivation and also new planting, and
- (ii) that there was an awareness among growers regarding the need to improve the yield and move up towards the higher level of production obtaining elsewhere in the world.

3. The main objective of the plan was therefore to encourage and actively foster the trend towards achieving higher productivity and in the process to improve the economic condition of coffee growers in general and of the small coffee growers in particular.

4. The plan aimed at raising production to 59,200 tonnes at the end of 15 years from the annual average production of 26,000 tonnes at the beginning of the plan period. This objective was proposed to be achieved chiefly through intensive cultivation of the existing area under coffee by improved cultural practices and to a limited extent by fresh planting.

5. The Govt. of India sanctioned the plan for an initial period of 5 years and subsequently continued for a period of 5 years viz., upto 30-9-1966. With regard to its continuance beyond that date, the Govt. of India decided that no specific sanction is considered necessary, so long as the development schemes are approved by the Govt. and are continued within the approved budget provision and plan outlay approved by the planning commission.

6. The Development Department was created by the Board to implement the development plan, and came into existence in October 1956.

7. The organizational set-up and staff requirements of the Department were sanctioned by the Executive Committee at its meeting held in September 1956. The staff strength has since been considerably reduced

and is now regulated by sanction issued by the Govt. of India for specific periods at a time.

8. Of the different schemes of assistance originally contemplated in the plan, a few had to be withdrawn subsequently and a few introduced in their place, to meet the changed circumstances and requirements. In the year 1968-69, the Board appointed a sub-committee to make an exhaustive study of the problem and difficulties confronting small growers who, numbering more than 47,000 represented almost 98% of the total number of registered coffee growers in India. The committee was charged with the work of looking into the possible reasons why this sector of the industry was not taking full advantage of the different schemes implemented by the Board under the Coffee Development Plan and to recommend measures that would help and encourage the small grower to improve the productivity of his holding and improve his economy.

9. The committee submitted its report which was adopted by the Board at its meeting held on 19-2-1971. Of the recommendations made by the Committee, those on which specific approval of the Govt. was necessary were referred to the Govt. of India and most of them have since been accepted by the Govt.

10. The schemes currently under implementation incorporating the modifications and additions recently approved by the Govt. are dealt with in subsequent chapters.

## Organisational set-up

11. *Head Office:-* The Chairman as the principal executive officer of the Board exercises administrative control over the department. The development officer is the chief officer of the department. He is empowered to exercise all powers delegated by the Board or the Chairman to the Chief Officers of other departments and is also empowered to sanction loans under the development pan upto Rs. 10,000/- in each case. He is in charge of the administrative section at head officer. His administrative and financial powers are given in delegation of powers (*Appendix II* of part II Secretariat).

12. *Functions:-* The functions of the Administration Section will be grouped under the following heads :-

- (i) Staff,
- (ii) Stores, and
- (iii) Monetary and other aids to planters.

13. *Staff:-* Apart from the development officer, who is assisted by a Deputy development officer and Asst. Development officer, the staff strength consists of Head Clerk (three), Senior Stenographer (one), Senior Clerk (14), and Junior Clerk/typist (10).

14. In regard to staff and stores matters, the procedural rules applicable to other departments of the Board apply mutatis mutandis to Development Department.

15. *Monetary and other aids to planters:-* All applications from planters for grant of financial assistance under the loan schemes in the Development plans are examined and processed by the Deputy Directors of Extension and those in respect of which they are not competent to sanction loans are forwarded to the Head office. Such applications are processed in detail on the lines indicated in the subsequent chapters under different loan aid schemes, are handled in the development section of the development department. Such processed files requiring sanction of the Chairman for grant of loans are put up to the Chairman for obtaining necessary sanction orders.

16. The section attends to the preparation of budget requirements of both (a) loan and (b) administrative. In respect of loan budget as its involved repayment with interest, a careful watch has to be kept on the due dates of recovery and the rate of interest etc. Repayment of loans to the Govt. with interest is also to be carefully watched and the future need of the quantum of loan requirement should be envisaged and assessed properly. The section should also attend to preparation of performance budget and revised budget estimates.

17. Monitoring the particulars of different types of loan in relation to the targets fixed in the budget estimates also is part of the work of the section.

18. Preparing the estimates of the fertilisers and pesticides for the coffee industry and getting allotment from the Ministry of Agriculture, Govt. of India are also to be attended to by this section.

19. The development officer has to attend the fertiliser conference and project the needs of the coffee industry. The fertilisers allotted to the coffee Board should be reallocated to the different fertiliser dealers approved by the Govt. for proper distribution to the growers. For purpose of recovery of dues of the loans given to the registered coffee growers systematic correspondence has to be made with the growers, and curers with whom the loanee have pooled coffee.

20. In cases where the registered grower applies to the concerned Registering Authorities for change of coffee registration certificate either due to change of hands or partitioning or for any other reason, the matter should be examined with particular reference to loans advanced and the concerned Asst. Coffee Marketing Officers advised in regard to the permission for changing coffee registration certificate.

21. The other matters relating to co-ordination of the various activities of the departments dealt with in the offices of the Deputy Directors of Extension have also to be attend to.

22. All proposals for making available to growers financial and other forms of aid for the development of the industry will be examined by the development administration section and placed before the Chairman, and committee and thereafter before the Board, should the committee so decide.

23. All proposals involving modifications to the development plan, including :-

- (i) discontinuance of any scheme ;
- (ii) enlarging the scope of any scheme in operation;
- (iii) inclusion of any new scheme in the plan ; will similarly be placed before the Chairman, development committee and the board depending upon the decision taken at each level.

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## **CHAPTER II**

### **REGIONAL OFFICES**

24. The five regional offices set-up from 1-10-1956 at the time of commencement of the development scheme work, each in charge of an Asst. Development officer at Chikmagalur, Mercara, Calicut, Coimbatore and Batlagundu, were closed down during 1962 for administrative reasons and the development loan work of these offices was transferred to the extension officers of the research department located in the coffee growing areas in the 3 States.

25. The main functions of the Regional Offices are :-

- (1) Registering applications from planters for grant of development loans ;
- (2) Initial processing of applications after spot inspection of the estate, verifying the accuracy of acreage and production particulars furnished in the application ; certifying the feasibility of economic improvement of the estate ;
- (3) Collecting required documents of title from the applicants furnishing of valuation of the property offered as security and making suitable recommendations on the application for grant of loans ;
- (4) Follow-up visits to loan aided estates ;
  - (a) to ensure proper utilization of the instalment amount

advanced and to recommend the release of subsequent instalments ; and

- (b) to satisfy that the estate is properly maintained and not allowed to deteriorate in value.

26. With effect from 1-4-1977 with the increase in the tempo of development loan aid schemes to generate loan applications and to expedite their disposal, in order to facilitate easy flow of credit to the needy growers and certain decentralization of work relating to grant of loan has been effected. The Deputy Directors of Extension at Chethalli, Chikmagalur and Coimbatore, have been delegated with the powers of sanctioning development loans upto Rs. 10,000/- and the work connected therewith are attended to by them. Initial processing of loan applications and furnishing technical reports are done by the Junior/Senior Liaison officers who forward them to the concerned Deputy directors of extension for further processing and review of applications. The deputy directors of extension arrange for legal scrutiny of the documents and sanction loans within on execution of proper documents. Applications for loans exceeding Rs. 10,000/- in each case. Release of instalments of amounts are made on execution of proper documents. Applications for loans exceeding Rs. 10,000/- are forwarded to the development officer, Bangalore, together with his recommendations for further review and submission to Chairman for sanction of loan.

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## CHAPTER II

### COFFEE DEVELOPMENT PLAN-SALIENT FEATURES

27. *Method of assistance to growers:-* At present the following kinds of assistance/loans and facilities are available under the Coffee Development plan :-

- (i) Loans for intensive cultivation ;
- (ii) Loans for replanting of coffee ;
- (iii) Loans for extensive cultivation ;
- (iv) Loans on crop hypothecation ;
- (v) Special purpose loans for development of estates, such as sinking wells, construction of drying yards, etc.,
- (vi) Supply of machinery and equipments on Hire purchase terms ;
- (vii) Supply of seeds coffees ;
- (viii) Technical advice and assistance through demonstration plots and trial plots ; and
- (ix) Loan assistance to Co-operative establishments for coffee processing/curing works, under rule 38(b) of the coffee rules, 1955, for improvement/expansion of curing and storage facilities.

28. *Source of funds:-* to provide financial assistance to coffee development plan, loans are sanctioned to the Board by the Govt. of India, according to actual requirements subject to approved budget provisions each year. Upto 1975-76, loans granted to the board by the Govt. for the purpose of providing loans to coffee growers under the development loan schemes

were repayable in 5 equal annual instalments, commencing from the 9<sup>th</sup> year of the grant with interest of 8  $\frac{3}{4}$  % per annum. From 1976-77, loans are repayable in 8 equal instalments commencing from the 6<sup>th</sup> year. From 1-4-1977, loans advanced to the coffee planters carry an interest at 9  $\frac{1}{2}$  % per annum, for small growers and 10% for large growers, and in case of default, a penal interest of 2  $\frac{1}{2}$ % will be levied. An amortisation fund has been created for setting off possible bad debts.

29. The establishment charges and other items of non-recoverable expenditure of the development department are met out of the Board's General Fund.

30. While direct financial assistance is offered by the Board to growers in the form of long-term and short-term loans, indirect financial aid is offered in the form of equipment and machinery. Other services given to the growers for development of coffee include-(i) supply of seeds of disease resistant high yielding coffee strains and (ii) advisory services.

31. Whereas the aids offered under the plan are mainly intended for the benefit of the registered coffee growers, the plan also provides for the grant of loan assistance to co-operative societies for processing/curing of coffee, on such terms and conditions as may be laid down in each case.

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## CHAPTER IV

### INTENSIVE CULTIVATION LOAN SCHEME

32. *Purpose of loans:-* Long-term intensive cultivation loans are granted by the Board to the coffee growers to enhance production by intensive cultivation in the existing acreage under coffee.

33. The Board, may however, permit a borrower to utilise a portion of the sanctioned loan not exceeding 30% to discharge a prior encumbrance on the estate. The second and third instalments will be disbursed only after the planter has completed to the satisfaction of the Board the recommended cultural operations for the 1<sup>st</sup> year and 2<sup>nd</sup> year respectively.

34. *Eligibility:-* Eligibility for loan assistance is limited to registered owners of estates of not less than 2 acres and not more than 50 acres.

35. *Payment of instalments and repayments:-* Loans are granted by the Board at the rate of Rs. 2,000/- and Rs. 1,500/- per acre for intensive cultivation of Arabica and Robusta respectively. The sanctioned loan is disbursed to the planters in 3 annual instalments and is recovered in 8 annual instalments commencing from the 6<sup>th</sup> year. The following table shows the rates of payment and repayment of the loans:-

**Loan disbursement**

	<i>Arabica</i>	<i>Robusta</i>	<i>Loan payment</i>
	(per acre)		
I Year (40%)	Rs. 800	600	IV Year Nil V Year Nil
II Year (30%)	Rs. 600	450	VI Year 5% VII Year 10%
III Year (30%)	Rs. 600	450	VIII Year 15% IX Year 20% X Year 25% XI Year 25%
Total (100%)	Rs. 2,000	1,500	100%

36. Although the sanctioned loan is intended to be paid in 3 annual instalments, the 2<sup>nd</sup> and 3<sup>rd</sup> instalments may be disbursed before the expiry of one full year from the date of payment of the 1<sup>st</sup> instalment provided,-(i) The appropriate authority is satisfied that the 1<sup>st</sup> instalment was properly utilised by the planter, for carrying out the programme of operations recommended by the Board's Technical staff ; (ii) Not less than 9 months have elapsed since the payment of 1<sup>st</sup> instalment and (iii) No two instalments are disbursed during the same calendar year.

37. The rate of interest is 9 ½% per annum for small growers and 10% for large growers, with a penal rate of 2 ½% interest for default in repayment. The rate of interest is fixed by the Board, on the basis of the rate at which loan is granted to the Board by the Govt. of India. Any revision of the rate will not, however, have retrospective effect on loans already granted by the Board.

38. Grant of Intensive cultivation loan for second time is also considered subject to the following :-

- (a) that the first loan should have been fully repaid ;
- (b) the grant of second intensive cultivation loan will be considered only after the lapse of 10 years from the date of sanction of the first loan ;
- (c) that in the opinion of investigation officer (not below the rank of Senior Liaison Officer), the yield of the estate could further be increased, if intensive cultivation practices are renewed ; and
- (d) a satisfactory explanation should be forthcoming from the applicant as to why intensive cultivation practices were discontinued.

39. *Terms and conditions of grant of loans:-* Loans are granted only on the security of immovable property. The estate for the benefit of which the loan is required will be the primary security. Other properties can be taken at collateral security.

40. The primary security will comprise the entire area registered under the coffee act including any portion lying uncultivated or abandoned. The collateral security need not be a coffee estate but any type of land will be acceptable, as also buildings.

41. The loan is provided to meet the entire cost of the operations contemplated by the planter. The grower is expected to raise a portion of the required funds from his own resources.

42. No loan will be granted, if in the opinion of the Liaison Officer the estate cannot profitably be improved.

43. Apart from the limit determined by the scheduled rate of payment per acre referred to above, no loans in excess of 65% of the valuation of the properties accepted for mortgage can be granted.

44. *Registration of applications:-* Applications for loan should be submitted in duplicate in the prescribed form (*Appendix I*) to the Liaison Officer (or other officer entrusted with his duties and functions) having jurisdiction over the area in which the estate is situated. The date of registration of the application at the regional office will decide the particular financial year to which it will be deemed to belong.

45. The procedure to be followed in the scrutiny, investigation and transmission of loan applications for sanction beyond the powers of the Deputy Directors of Extension and their further processing by the Development Department is given at *Appendix II*.

46. *Investigation of title:-* Two of the most important considerations that arise on a loan application are- (i) whether the title of the applicant to the lands offered as security is sound and marketable and (ii) whether the applicant is legally competent to charge the estate with liability

for the loan. The examination of these two aspects of the matter will admit of no relaxation.

47. In the first place, all available documents of title, relating to the lands sought to be mortgaged, should be secured. In the absence of originals, certified copies should be obtained along with the explanation by the applicant why the originals cannot be produced. When the property is described as 'self-acquired' through purchase, it will be necessary to secure not only the latest sale deed but also all earlier documents available up to a reasonable period of time, viz., those pertaining to the applicant's predecessor in title. It will be necessary to verify whether the vendor, under the latest sale deed, had power to convey good title. If there be any defects of title of the applicant who claims to be the present owner all documents of title along with the mortgage deed to be executed in favour of the Board.

48. The transfer of property act enables a holder to create an equitable mortgage by depositing documents of title with any one. Such deposits are not compulsorily registerable according to law. Consequently, production of nil encumbrance certificate does not by itself establish that the land is free from encumbrance and so it is essential that all documents of title pertaining to the lands offered as security are obtained.

49. If the land is held directly under Govt. it must be ascertained whether the applicant holds a patta in his name or in the name of his predecessor in title and whether the land is entered in his name in the revenue records.

50. In the case of lands held under a superior holder, it must be ascertained whether the applicant has an occupancy right in the holding and whether the applicant has an occupancy right in the holding and whether he is in actual possession and enjoyment of it. Production of the latest patta should be insisted upon. Though patta is not conclusive evidence of title, it will disclose the name of persons in actual possession.

51. In the case of lands situated in a Zamindari, or Inam lands, or those held under various other kinds of tenures in different States, care should be taken to ascertain the nature of the applicant's rights over the properties and the powers vested in him to deal with them, by reference as far as practicable to the original documents in terms of which he acquired title.

52. As a rule, no loans can be granted to an applicant who may have title to , but is not in actual possession of the land.

53. The question of the applicant's competency to create the proposed encumbrance will depend on the law by which he is governed, the nature of his title and whether he proposes to deal with the property in his own right or on behalf of someone else.

54. If the applicant is a member of a Joint Hindu Family, his father, brother major and minor sons and other members of the family will have a right to share in the family property and, if he purports to apply for and on behalf of the family, the shares of all members of the family should be included in the mortgage deed. If the applicant claims to be a separated member and wishes to borrow on the security of his separated share, he must

be required to produce the partition deed or any other document evidencing the partitions. Statements should also be taken wherever found necessary from the other members of the family confirming the fact of partition and the allotment and separate enjoyment by the applicant of the share in the property offered as security.

55. A loan application from the guardian of a minor should be supported by permission from a competent Court of Law, to alienate the property, as no guardian can encumber the minor's property except for 'legal necessity'. No loan can, as a rule, be granted on the security of the life-interest of a widow, or on properties purchased by an applicant from a person with such limited ownership.

56. Even when the property is described as 'self-acquired' by a member of joint Hindu Family, unless it is conclusively proved that it was purchased out of his personal income, it will not be advisable to treat the property as something outside the joint family.

57. There is no distinction in Mohammadan law between ancestral and self-acquired property. Only on the death of a person do his heirs become entitled to a share in his property and not during his lifetime. Consequently, the heirs do not have the right to transfer their share while the owner is living.

58. Holders of lands of privileged tenure in Coorg will have to obtain the written permission of the Deputy Commissioner to alienate their lands. The Govt. of Karnataka have declared loans from the Coffee board, as

one of the valid purposes for such alienation by means of an amendment to the rules issued under the Coorg Land & Revenue Regulations.

59. Similarly, lands granted by the Govt. for settlement of ex-servicemen in Coorg also require the express permission of the Deputy Commissioner of Coorg for their alienation.

60. *Prior encumbrances:-* All applications for loans should be accompanied by an encumbrance certificate for 12 years in respect of the lands proposed to be mortgaged, obtained by the applicant from the Sub-Registrar's office. Satisfactory proof of discharge should be produced by the applicant for all encumbrances disclosed by the encumbrance certificate, except any, sought to be cleared with a portion of the loan applied for.

61. All documents relating to encumbrances on the property should be obtained. In the case of subsisting mortgages, a certified copy of the deed and proof of the actual amount due on date of loan application must be furnished by the applicant, along with a letter of consent from the mortgagee in token of his willingness to join in the execution of the mortgage deed in favour of the Board agreeing to give priority to the Board's rights over the property. In the case of redeemed mortgages, it should be possible for the applicant to produce the deed of mortgage in original with the endorsement of discharge. If the deed cannot be produced or if the endorsement of discharge is not properly witnessed, the written declaration of the prior mortgagee that his mortgage was duly discharged should be obtained wherever possible.

62. When the encumbrance degree, a certified copy of the document should invariably be secured. If it is a maintenance degree, the liability on the property will remain in force during the entire life-time of the degree holder. Evidence will have to be furnished by the loan applicant that the claim under the degree has been satisfied so far so that there are no arrears. If the degree holder joins in the execution of the mortgage deed and agrees to give priority to the Board it would be more satisfactory.

63. All applicants who have been sanctioned loans will have to produce a second encumbrance certificate for the period from the date upon which it was obtained previously and upto the date of registration of the mortgage deed.

64. *Valuation of security:-* Properties offered as security for loan will be valued by the Jr. Liaison Officer/Sr. Liaison Officer (or any other officer investigating the application) bearing in mind the following points :-

- (i) The different survey numbers constituting the property, the extent of each survey number and crop, buildings and other structures on each, the proximity of the property to public roads and its accessibility or any other point affecting its value should be noted in detail. The advantage of having a clear survey map to mark these details cannot be over emphasised,
- (ii) If the land is a coffee estate, particular attention should be paid to the age and condition of the plants, the average yield recorded by the estate during the last three or four

years and the manner in which the estate as a whole is maintained by the planter,

- (iii) The Development Committee of the board has drawn up a rough schedule for the valuation of coffee estates to serve as a guideline in this regard, but it is not intended to be followed blindly, in every case or to serve as a substitute for actual valuation by spot inspection,
- (iv) Wet lands under abandoned coffee or crops other than coffee, virgin land or jungle, should invariably be valued separately at rates ascertained by prudent local enquiries, and
- (v) In compiling their report, officers should record estimates, itemised according to type of coffee, age group of plants, are under crop/s other than coffee, and as far as practicable, according to survey numbers. Buildings and other structures should be valued separately, mentioning the survey numbers in which they are situated.

65. *Inspection of estates to benefit by loan:-* The estate for the benefit of which the planter has applied for loan, and any other additional property he has offered as security for the loan, shall be inspected by the Jr./Sr. Liaison Officer.

66. The Liaison officer's inspection before the grant of loan will be directed to determine the following aspects:-

- (i) Whether the estate can profitably be improved by the intensive cultivation or extensive cultivation or

replanting or special development measures etc., and if so, what measures etc., and if so, what measures should be adopted by the planter.

- (ii) Valuation of the property offered as security.
- (iii) To verify the accuracy through personal enquires from the planter/spot studies as well as independent local enquiries from other sources of all statement of facts and figures entered by the planter in his application.
- (iv) To obtain additional information and documents, clarifications and written statements from members of his family and others who have an interest in the property to be mortgaged.
- (v) To identify the property sought to be mortgaged with reference to survey numbers and boundaries, crop grown and buildings existing and to note its situation, accessibility etc.,
- (vi) To make a note of the manner in which the estate is maintained by the planter and to form an opinion as to how far the planter is earnest about the proposed measures of improvements.
- (vii) To assess applicant's repaying capacity on the basis of enquiries to be made about his credit-worthiness, income from sources other than coffee etc.

67. The Sr./Jr. Liaison Officer's report will be in two parts-the first part should contain his observation regarding the general condition and upkeep of the estate, the cultural practices being attended to and his

recommendations on item (i) above ; and the second part will deal with his valuation of the property. The report covering all these aspects should be sent to the Deputy Director of Extension together with loan applications and other relevant references.

68. *Scrutiny of loans files at the Deputy Directors of Extension Office/Head Office:-* Every loan application received by the Deputy Directors of Extension/Development Officer will be entered in a register of applications and processed on file by the case workers. The following points should be particularly examined :-

- (i) Eligibility of the applicant for loan, on the basis of the estate's planted area under coffee ; recommendations of the Liaison Officers ;
- (ii) Title of applicant to the properties offered as security and his rights to alienate them ;
- (iii) Encumbrances already created on the property and whether satisfactory proof of discharge has been furnished ;
- (iv) How far the security is adequate for the loan based on the valuations furnished by the Liaison Officers ;
- (v) Loan amount admissible.

69. *Legal Opinion:-* The files on which the Deputy Director of extension/development officers feels that legal wetting of the title is required to be forwarded to the legal advisers whose opinion in particular should be sought on the following points :-

- (i) Rights of the applicant to all items of property offered as security ;
- (ii) Applicant's competency to alienate them ;
- (iii) Implications of any minor's interests ;
- (iv) Prior encumbrances and how far proof of discharge furnished or of amount outstanding is acceptable ;
- (v) Particulars as to who should join in the execution of the mortgage deed, besides the applicant.

70. *Sanction of loans:-* Before the file is taken up for sanction, clarifications or the additional documents deemed necessary in the opinion of the legal adviser should be obtained. Subject to the title to the property offered as security having been found acceptable, file should be put up to the sanctioning authority. According to the powers delegated by the executive committee/Board, loans upto Rs. 10,000/- can be sanctioned by the deputy director of the extension and loans upto Rs. 15,000/- by the Chairman and loans exceeding Rs. 15,000/- by the Chairman subject to ratification by the development committee.

71. With effect from 1-4-1973, legal charges are collected as shown below the applicants :-

Initial legal fee	...	Rs.10/- for each application (This will be collected when the application is made for the first time).
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After sanction of loan :

- a) For loans upto Rs. 10,000/- .. Nil
- b) -do- between Rs.10,000/-  
and Rs. 20,000/- .. Rs.50/-

NOTE : No legal fee is collected in respect of loans granted without legal scrutiny. The amounts actually collected, except Rs. 10/- collected as initial fee are passed on to concerned legal adviser.

72. *Utilisation of loans by planters:-* As per rules, the loans granted by the Board are meant for specific purpose, it is one of the conditions of the grant that the 2<sup>nd</sup> and subsequent instalments shall be paid only upon the Board being satisfied that the previous instalment has been fully utilised by the planter for the purpose for which the loan was granted. To ensure fulfillment of this requirement, the liaison officer will, as soon as the first instalment is paid, furnish the planter in writing with a schedule of operations to be followed on the estate. This schedule will be in conformity with the measures already suggested to the planter at the time of liaison officers first visit to the estate referred to earlier. It will be incumbent on the planter to adhere to the programme so suggested, and to keep on account of the expenditure incurred for each operation. The Jr./Sr. Liaison officer will visit the estate at regular intervals and not only watch how these instructions are carried out but also guide him wherever necessary in efforts to improve his estate. The planter should be persuaded to keep an inspection book in

which all suggestions given to him and observations made at the time of each visit should be recorded. Before the 2<sup>nd</sup> and subsequent loan instalments are paid, a statement of account should be obtained from the planter.

73. *Recovery of interest and principal of loans:-* Interest will be calculated separately for each loan instalment until the date on which repayment of principal commences when all the instalments will be combined into a single unit. The due date for payment of interest will be the anniversary each year of the disbursement of the instalment. Recovery of the principal will start according to the schedule of repayment.

74. The advantage involved in repaying the loan in annual instalments will not normally be available to loanees whose loans are cancelled and called up before the due date in pursuance of the penal clauses of the mortgage deed.

75. Names of loanees who are in arrears with regard to payment of interest or repayment of loans will be circulated to the pool agents/depots with instructions to recover the outstanding dues from the pool payments on the coffee delivered from the estate.

76. The Sr. Liaison officers/Jr. Liaison Officers should make special efforts to recover the arrears of loan from the defaulters, by visiting their estates finding out where the crop is pooled and keeping liaison with the pooling centers.

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## CHAPTER V

### CROP HYPOTHECATION LOANS

77. *Object, scope and salient features of scheme:-* Scheme for grant of short-term advances on the hypothecation of the standing crop was put into operation since the crop season 1962/63 with a view to providing planters with a working capital, particularly the planters in the lower acreage group.

78. Growers in the acreage of 2 to 100 acres are eligible for these loans.

79. A 'Liberalised Crop Loan Scheme' was introduced on a trial basis since the 1966-67 season. Under this scheme, the coffee planters having more than 10 acres of cultivated area and requiring mere deposit of original coffee registration certificate and executing necessary documents. The primary security for the loan will be the standing crop of the estate. Instead of a regular mortgage of the estate the party will pledge only his original coffee registration certificate with the Board.

80. The quantum of the loan will be limited to 60% in the case of large growers and 70% in the case of small growers, of the value of the estimated standing crop or of the previous 3 years average crop whichever is lower.

81. The loan amount will be advanced to the planters in lumpsum or in instalments and recovered by appropriation from pool payments on the hypothecated crop. If for any reason, the recoveries during the season fall short of the amount due from the planter, the liability will automatically stand extended to the subsequent year's crop or crops from the estates till such time the loan is cleared. To facilitate the recovery of the loan with interest by appropriation from the pool payments, the loanee will be required to deliver his crop to a particular pool agent or depot of his choice, to be intimated in advance.

82. The rate of interest is the same as detailed in Chapter IV. Intensive cultivation loans.

83. *Registering and processing of applications:-* Applications for grant of loans should be in the prescribed form as at *Appendix III* and will be received by the Deputy director of extension/development department at Head Office, during the period from 1<sup>st</sup> December to 30<sup>th</sup> April on each crop season. A notification to this effect should be inserted in the month of November and December issues of Indian Coffee.

84. The Liaison officers will inspect the estate and furnish a report in the prescribed form as at *Appendix IV*, including an estimate of the coming crop based on blossom and backing showers received in the area. The applications received will be scrutinized to see whether the following essential documents have been produced :-

- (1) Registration certificate of the estate in original ;

- (2) Receipts issued to the planter by the pool agent or depot for coffee delivered from the estate during the previous 3 seasons ;
- (3) Documents of title, i.e., coffee registration certificate and the latest encumbrance certificate to establish the applicant's exclusive right to offer the property as security to the Board.
- (4) In the case of estates above 10 acres, the document of title-encumbrance certificate, extracts from the revenue records etc., to establish the applicants exclusive right to offer the properties to the Board as collateral security should also be scrutinised.

85. The question of production of documents of title and connected papers will not arise in cases where the applicant has already been granted other loans by the Board and the documents are already in its custody. The question of producing documents also does not arise under the liberalised scheme.

86. On receipt of the liaison officer's report and required documents mentioned earlier, the file will be got examined by the legal adviser, if necessary on the question of applicant's title to the property. If the title is found acceptable, the quantum of loan that could be advanced to the planter will be worked out on the basis of the crop figures, as indicated earlier and the file put up to the competent authority for sanction. The deputy director of extension/development officer is empowered to sanction

loan upto Rs. 10,000/- and the chairman upto Rs. 15,000/- will be sanctioned by the Chairman subject to ratification by the development committee. The mode of communication of the amount sanctioned etc., have been dealt with under Chapter IV intensive cultivation loans.

87. *Execution and registration of the mortgage/hypothecation deed:-* The draft of the document to be executed by the planter will be furnished to him by the Deputy Director of Extension/Development department. The typed documents to be executed will depend upon whether or not he has got in his possession all relevant documents of title in original, for being deposited with the Board, by way of equitable mortgage of the estate, as collateral security.

88. The hypothecation deed in the prescribed form in respect of the crop or the mortgage deed in respect of both the crop and the estate, as the case may be, will registered by the planter at the concerned sub-registrar's office. For deposit of title deeds, the applicant will have to present himself before the deputy director of extension/development officer concerned on a date that will be intimated to him. Particulars regarding the documents deposited should be entered in the prescribed register under the signature of the development officer/deputy director of extension. Along with the documents, a pronote for the loan amount will also be taken from the planter. The loan amount will be released in a lumpsum of instalments to the palnter upon completion of these formalities and upon receipt of the registered documents, together with a fresh nil encumbrances certificate on the property. The accounts section will make payment by demand draft or

cheque after opening an account for the loan in the personal ledger and making necessary entries therein.

89. A list of planters granted crop hypothecation loans will be circulated to all pool agents and depots by the end of October each year, with instructions to recover the amounts with interest from the pool payments on the coffee delivered from the estate.

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## CHAPTER VI

### SCHEME FOR SUPPLY OF MACHINERY AND EQUIPMENTS

90. *Introduction:-* In the year 1958, the development department of the Board decided to establish co-operative pulping units, in suitable places in the coffee growing tracts with a view to encourage the small growers to pulp their coffees and prepare quality parchment coffees to enable them to realize more value. In order to further this objective, a scheme of supply of machinery and equipment to coffee plantations was started.

91. *Purpose:-* The purpose of the scheme is mainly to facilitate the plantations particularly the small growers-(a) to enable preparation of quality coffee by planters to get increased return ; (b) to provide timely plant protection operations and also to improve the health and vigour of the plants; (c) to provide overhead irrigation wherever possible to ensure the yield against vagaries of nature, etc.,

92. The equipment supplied consists of – (1) pulpers, (2) sprayers, (3) engines, motors, pump-sets and G.I. pipes ; (4) alkathene hose, (5) sprinkler units, (6) power tillers and (7) coffee hullers (Power tillers and coffee hullers are only for small growers).

93. *Eligibility:-* The growers who have registered themselves under the coffee act 1942 and whose planted area under coffee is not less than 2 acres only, are eligible for the loans. The benefit of the aid extends to all

acreage groups of registered planters includes the estates owned by companies/firms and trustees/administrators, in addition to giving proof of a good and marketable title will have to furnish the following documents and information:-

**94. In the case of Companies :**

- (i) The Memorandum and Articles of Association should contain a provision enabling borrowing ;
- (ii) The borrowing and the terms thereof should be approved by a resolution of the Board of Directors ;
- (iii) The borrowing should not exceed the limits prescribe by section 293 of the companies act ;
- (iv) The documents should be executed under the seal of the company by the persons duly authorised to do so by the articles and/or a resolution of the Board of directors ; and
- (v) The charge created in favour of the board should be registered with the Registrar of companies under section 125 of the companies act.

**95. In the case of Firms :**

- (i) The partnership should be registered under the partnership act with the registrar of firms ;
- (ii) The partnership deed should contain provisions enabling borrowing ; and

- (iii) All the partners should execute the loan documents either personally or through their duly constituted agent.

96. In the case of Trustees/Administrators:

- (i) The terms of Trust Deed or Letters of Administration should permit borrowing ;
- (ii) The conditions if any, prescribed by the deed of trust and letters of administration governing borrowing should be strictly fulfilled. Also the requirements of section 307 (2) of the succession act, when they apply ;
- (iii) The borrowing and the terms thereof should be approved by a Resolution of the trustees/administrators when there are more than one ; and
- (iv) All the trustees/administrators should execute loan documents.

97. *Procedure:-* The planter will apply to the Deputy Director of extension through the Liaison officers concerned in the prescribed form at *Appendix V* indicating the requirement of machinery and the source from which it is to be supplied. He should remit 10% of the value of the equipment as earnest money deposit. The concerned Liaison officer will inspect the estate to find out the reasonableness of the requirement and recommend and make his recommendations suitably in the prescribed form at *Appendix VI* and submit to the Deputy Director of Extension. The application will be further scrutinised by the deputy director of extension and orders placed with the firm from whom the quotations would generally

be received in the beginning of the financial year. The planter will furnish the promissory note and execute an agreement in respect of supplies in the prescribed form at *Appendix VII*. On receipt of the bills duly certified by the Extension officer, payment will be arranged from Head Office.

98. The balance 90% of the cost will be payable by the planter in 8 equal instalments, in the case of sprinkler irrigation equipment and in 5 equal instalments in the case of other type of equipments.

99. *Rate of interest:-* The rate of interest is the same as detailed in Chapter IV Intensive Cultivation Loan.

100. *Repayment:-* The planters should remit the instalments and interest in time at the Zonal Liaison offices. Collection of arrears in case of defaulters will be arranged through the pool agents/depots with whom the planter pools his coffee.

101. *Security:-* The equipment supplied to the planters under this scheme will continue to be the property of the Board till the entire amount is fully repaid.

102. *Inspection:-* The extension officer and their staff during their tours should visit the estates and inspect and report about the maintenance of the equipment and also issue suitable instructions wherever necessary to planters.

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**CHAPTER VII**  
**SCHEME FOR SUPPLY OF APPROVED SEEDS**

103. In order to maximise the yield of coffee from the existing coffee areas and for extension of the area as well as replacement of old and uneconomic coffee plants, seed coffee of improved, disease resistant, high yielding varieties are supplied to the growers by the research and extension wings. Zonal seed Blocks are established on private estate to provide acclimatized see for particular zones. Seed coffee prepared from these blocks under the supervision of the Research and Extension officers are procured and distributed to planters who register their indents within the time notified each year. For further details, please refer Chapter VIII-replanting finance scheme.

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## CHAPTER VIII

### REPLANTING FINANCE SCHEME

104. The scheme for financing replanting of uneconomic plants was started towards the close of 1967-68 season purely as a loan scheme. The scheme now offers long-term loans to large growers and loan cum subsidy to small growers. The purpose of the scheme is to assist the growers to replant aged and uneconomic, poor yielding coffee plants with high yielding plant material.

105. *Eligibility:-* All registered coffee growers having not less than 2 acres under coffee will be eligible for assistance under the scheme. Applications for assistance under the scheme will not be considered unless the area to be replanted is certified to be suitable for the purpose by the Sr. Liaison Officer/Jr. Liaison officer.

106. *Quantum of loan and mode of payment:-* The small growers are eligible for a loan cum subsidy of Rs. 3,000/- per acre of which, the subsidy portion is Rs. 1,000/- per acre and the large growers for a loan of Rs. 3,000/- per acre, there being no subsidy for them.

107. *Schedule of disbursement of loan:-*

Small growers:	<i>Year</i>	<i>Loan per acre</i>	<i>Subsidy per acre</i>
	1 <sup>st</sup> Year	Rs. 1,000/-	

2 <sup>nd</sup> year	Rs. 500/-	Rs. 500/-
3 <sup>rd</sup> Year	Rs. 500/-	
4 <sup>th</sup> Year		Rs. 500/-
Total	-----	-----
	Rs. 2,000/-	Rs. 1,000/-
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Large growers	<i>Year</i>	<i>Loan per acre</i>
	1 <sup>st</sup> year	Rs. 1,200/-
	2 <sup>nd</sup> year	Rs. 800/-
	3 <sup>rd</sup> year	Rs. 500/-
	4 <sup>th</sup> Year	Rs. 500/-
		-----
		Rs. 3,000/-
		-----

108. Release of 1<sup>st</sup> instalment of loan will be made after execution of necessary mortgage deeds. The 2<sup>nd</sup> instalment of loan-cum-subsidy in the case of large growers will be released only after the party has completed satisfactorily replanting of the entire area meant for replanting. The release of the remaining instalments of loan and subsidy in both the case of large and small growers, is also similarly subject to planter carrying out essential operations for the maintenance and upkeep of replanted area to the satisfaction of the Board and producing statement of accounts for the previous instalments.

109. *Schedule of repayment of loan:-* The loans granted for replanting are repayable in 7 annual instalments commencing from the 5<sup>th</sup> year, in the case of large growers and the 6<sup>th</sup> year in the case of small growers at the rate of 5%, 10%, 10%, 15%, 20%, 20%, and 20% for both large and small growers.

110. *Rate of interest:-* The rate of interest will be the same as detailed in Chapter IV- intensive cultivation loan.

111. *Security for the loan:-* The applicant has to mortgage as primary security for the loan, a minimum of the 10% of the crop (the exact percentage of crop to be mortgaged depends upon the merits of the case) of the estate and the entire or a portion thereof as collateral security. Bank Guarantee may be accepted as collateral security. Grant of replanting loan considered subject to certain conditions being satisfied on the security of a second charge on the estate besides a first charge on the entire crop or an adequate portion thereof. The other instructions given in Chapter IV regarding 65% limit of the valuation for sanctioning loan and registration of applications, investigation of titles, legal security, valuation etc., are applicable in the case of Replanting Finance Loan/Schemes also.

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## **CHAPTER IX**

### **SPECIAL PURPOSE LOAN**

112. This scheme has been evolved as an off-shoot of the intensive cultivation loan scheme and offers medium term loans to small growers subject to a maximum of Rs. 10,000/- for any of the following a special measures of development :-

- (a) Sinking tube-wells, borewells or ordinary wells ;
- (b) Building dams or development/improvement of tanks ;
- (c) Soil Conservation ;
- (d) Construction of drying yards ; and
- (e) Improvement of pulping facilities.

113. The loan is disbursed in two instalments (60% and 40%) and recovery made in 3 annual instalments commencing from the first anniversary of the 2<sup>nd</sup> instalment. The 2<sup>nd</sup> instalment of loan will be released only on completion of 50% of the work to the satisfaction of the Board and in no case earlier than 2 months or later than 4 months from the date of disbursement of 1<sup>st</sup> instalment.

114. The rate of interest chargeable for this type of loan is the same as detailed in Chapter IV, intensive cultivation loan in respect of small growers.

115. The applicant will have to create a first charge in favour of the Board, on the crop to be picked from the estate, as security. If he is not in a position to offer the crop, some other immovable property such as garden, dry/wet lands may be offered as security.

116. Instructions given in Chapter IV regarding the 65% limit of the valuation for sanctioning loan, registration of applications, investigation of title, legal scrutiny, valuation etc., are applicable in the case of special purpose loan also.

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**CHAPTER X**  
**EXTENSIVE CULTIVATION LOAN SCHEME**

117. The above scheme was introduced towards the end of 1975-76 and offers long-term loans to small growers for marginal extension of the area under cultivation, to make the holding economically more valuable. For the time being the loans are not granted for extending more than 50% of the existing planted area.

118. Loans are granted at Rs. 3,000/- per acre to be disbursed in 4 annual instalments and to be recovered in 7 annual instalments commencing from the 5<sup>th</sup> year.

119. The rate of interest etc., on this loan is the same as those detailed in Chapter IV-Intensive cultivation loan to small growers.

120. The applicant will have to hypothecate in favour of the Board, a minimum of 10% of the crop produced on the estate, as primary security. The estate to benefit by the loan and some other immovable property, if necessary, or a bank guarantee will have to be offered as collateral security.

121. The other instructions given in Chapter IV regarding 65% limit of the valuation for sanctioning loan, registration of applications, investigations of title, legal scrutiny, valuation etc., are applicable in the case of special purpose loan scheme also.

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