

**GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA**

UNSTARRED QUESTION NO:2155
ANSWERED ON:27.08.2007
FALL IN SUGAR PRICES
Baxla Shri Joachim

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

- (a) whether the sugar prices have been falling over the years particularly during the last three years;
- (b) if so, the details thereof and the main reasons for the same;
- (c) whether the sugarcane growers are unable to get a fair price for their produce and the sugar mills also suffer losses;
- (d) if so, the loss incurred by the sugarcane farmers and sugar mills during the last three years especially in Uttar Pradesh and West Bengal;
- (e) whether the Union Government is considering any proposal to help the sugarcane growers and sugar mills in the country, especially in Uttar Pradesh and West Bengal; and
- (f) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION (SHRI SHARAD PAWAR)

(a) & (b): The sugar prices in the domestic market have started falling in the current sugar season 2006-07 due to high levels of sugarcane and sugar production in the country and the anticipated high production of sugar during the ensuing season 2007-08.

(c) & (d): The Central Government, for each sugar season, fixes the Statutory Minimum Price (SMP) of sugarcane payable by sugar mills, to the cane growers for the sugarcane supplied by them which is based on the recommendations of the Commission for Agricultural Costs and Prices (CACP) taking into account factors mentioned in Clause 3(1) of the Sugarcane (Control) Order, 1966 viz. the cost of production of sugarcane; the return to the grower from alternative crops and the general trend of prices of agricultural commodities; the availability of sugar to the consumer at a fair price; the price at which sugar produced from sugarcane is sold by producers of sugar; and the recovery of sugar from sugarcane. The Central Government has increased the SMP of sugarcane by Rs. 0.75 per quintal for the current sugar season 2006-07. As such, there is no question of loss to sugarcane growers. Due to decline in domestic market price of sugar in the country and also the glut in world market which constrains exports, the capacity of the sugar mills to pay the cane price dues to the cane growers has been adversely affected. No profit or loss accounts of sugar mills are maintained by this Department.

(e) & (f): In order to help the sugar industry to clear the cane price arrears of sugarcane farmers, the Central Government has taken the following steps:-

(i) A buffer stock of 20 lac tons has already been created for a period of one year from 01.05.2007 to 30.04.2008. An additional buffer stock of 30 lac tons has also been created for a period of one year from 1.8.2007 to 31.7.2008. Creation of 50 lac tons of buffer stock would involve a subsidy amount of Rs. 945 crore (approximately) to be borne from Sugar Development Fund. The banks would also provide additional credit of Rs. 1050 crore (approximately) on creation of buffer stock. The buffer subsidy amount and the additional credit are to be exclusively used for liquidation of cane price arrears of sugarcane farmers;

(ii) Export assistance to defray a part of expenditure on internal transport, marketing and handling charges and ocean freight @ Rs. 1350/- per tonne for sugar factories located in coastal areas and Rs. 1450/- per tonne for sugar factories located in non-coastal areas (subject to actuals for export by road/rail to neighbouring countries) have been announced for a period of one year with effect from 19th April, 2007. The amount involved is Rs. 205 crore ((approximately) which is to be borne from Sugar Development Fund. The export assistance is also to be used exclusively for cane price arrears payment.

(iii) Ban on export of sugar has been removed in January, 2007 and requirement of obtaining an export release order for export of sugar except for exports to EU countries and USA has been withdrawn w.e.f. 31.07.2007, for the current and next sugar season.

The benefits of these measures are also available to the sugar mills in the states of Uttar Pradesh and West Bengal.