STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (1995-96)

15

TENTH LOK SABHA

SUGAR

FIFTEENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, 1995/Agrahayana, 1917 (Saka)

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Presented to Lok Sabha on..............................

Laid in Rajya Sabha on..............................

26 FEB 1996

सत्यमेव जयते

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* Ceased to be Member of the Committee w.e.f. 13.9.95 consequent upon his induction into Council of Ministers.

** Ceased to be Member of the Committee w.e.f. 14.9.95 consequent upon his induction into Council of Ministers.

† Ceased to be Member of the Committee w.e.f. 24.7.95 consequent upon expiry of the term as Member Rajya Sabha.

†† Nominated to the Committee w.e.f. 7.8.95.

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Civil Supplies and Public Distribution (1995-96) having been authorised by the Committee to submit the report on their behalf, present this Fifteenth Report on Sugar.

2. The subject was selected for examination by the Committee (1994-95) which after considering the preliminary material, written notes and other detailed information took the evidence of the representatives of Ministry of Food, Ministry of Agriculture and Ministry of Science and Technology on 13th and 24th January, 15th February and 1st March, 1995. The Committee (1995-96) took evidence of the representatives of Ministry of Food on 27th June, 1995. The Committee (1994-95) also heard the views of non-official organisations/ experts connected with the subject. The Committee would like to place on record their appreciation of the work done by the Committee (1994-95) for taking evidence and obtaining valuable information on the subject. The composition of the Committee (1994-95) is given at Annexure I.

3. The Committee wish to express their thanks to the officers of Ministry of Food and Ministry of Agriculture (Deptt. of Agriculture and Cooperation and Directorate of Sugarcane Development for placing before them the material on the subject and furnishing the information desired in connection with the examination of the subject. The Committee in course of their examination also undertook on the spot study tour to Bombay, Lucknow and Kanpur during the months of Oct./Nov. 1995 and interacted with the officials of Industrial Development Bank of India, Industrial Re-construction Bank of India, State Government of U.P., National Cooperative Development Corporation, U.P. Sugar Cooperative Ltd., U.P. Cooperative Sugar Factories Federation Limited, U.P. Cooperative Bank Ltd. and National Sugar Institute, Kanpur. The Committee wish to express their profound thanks to various Governments, organisations and experts who appeared and placed their considered views before the Committee on the subject.

4. The Report was considered and adopted by the Committee (1995-96) at their sitting held on 18 December, 1995.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report.

NEW DELHI;
21 December, 1995
30 Agrahayana, 1917 (Saka)

SHYAM BIHARI MISRA,
Chairman,
Standing Committee on Food,
Civil Supplies and Public Distribution.

PART A

REPORT

SUGAR

A. Introductory

Today, India is one of the largest producers of Sugarcane as well as sugar in the world and the sugar industry is the second largest agro-based industry in India, next only to the cotton/textile industry. The importance of sugar industry to our country's economy is second to none. It being an agro-based industry, almost all the sugar factories are located in the rural areas, and have intrinsic, symbiotic relationship with rural masses. These are, therefore, acting as a focal point and a catalyst for socio-economic progress of the rural community and for the upliftment of the weaker sections of the society. On an average a sugar factory receives cane supplies from as many as 30,000 to 35,000 cane growers. The total number of sugarcane suppliers in the country including their dependants is over 35 million. The sugar factories also pay crores of rupees by way of cane price payment to the farmers which generate additional purchasing power in their hands. During the 1993-94 season, Rs. 5448 crores were paid to the farmers by the sugar factories by way of cane price which ultimately helped in improving the economic condition of the farmers. Apart from this, the sugar mills also distribute cane seed, fertilizers and agricultural inputs of the order of Rs. 200 crores annually.

1.1 Sugar Industry is largest single employer in the rural areas. It provides employment to over 3.5 lakh workers and offers employment opportunities to thousands of people engaged in ancillary activities like farm labour transport etc. The annual wage bill of the industry is of the order of Rs. 1000 crores. The contribution of the industry to the Central exchequer by way of central excise duty is Rs. 820 crores which include Rs. 165 crores sugar cess. Besides, the States also collect about Rs. 500 crores per annum as purchase tax and cane cess and societies commission on sugarcane. The sugar industry as such, has carved out its special place in the country's economy and has accelerated the pace of socio-economic development in the rural areas.

1.2 The sugar industry had also played a positive role in the development of infrastructural facilities around the factory areas. The cooperative sugar factories in Maharashtra, Gujarat and Karnataka have undertaken extensive rural development work by providing credit facilities to the farmers for undertaking various remunerative projects, such as cattle breeding, poultry and small scale ancillary industries etc.

B. Agricultural Economics of Sugarcane

1.3 The sugarcane is primary raw material for the manufacture of sugar and occupies less than 2 per cent of the gross cropped area in the country. Of the gross area covered, it is estimated that over 2% of the Northern States is under sugarcane cultivation and just over 1% in the Southern States. Among the States, U.P. has highest per centage of the gross cropped area under cane. The total area under sugarcane during 1992-93 in U.P. was 51.3% of the total area under cane in India. The area under cane cultivation, production and yield in major sugarcane growing areas since 1985 is given in Annexures II & III.

Sugarcane Growing Tract

1.4 Sugarcane is grown both in the tropical and sub-tropical regions, the former produces better sugarcane and sugar yields than the latter due to suitable climatic conditions prevailing during growth period. Sugarcane is primarily an irrigated crop. It stand vagaries of nature, like floods and droughts, but it can do very well only in irrigated conditions. The major sugarcane growing States of sub-tropical belt are Uttar Pradesh, Bihar, Punjab, Haryana, Rajasthan, Madhya Pradesh, West Bengal and North Eastern States. It accounts for about 70-75 percent and about 60-65 percent of the total area and production of sugarcane in the country, respectively. In the Sub-tropical belt, sugarcane grows under extremes of climate as during April to June, the weather is very hot and dry and during July to October the rainy season prevails. December and January are very cold months and November, February and March remain cool with clear sky. The North Western region comprising of the areas in Haryana, Punjab, Western Rajasthan and Western Uttar Pradesh has very low temperature in December and January, which often causes frost. Very high temperature prevails during the summer in April, May and June. The planting season for sugarcane in the Sub-tropical belt is from January to mid March. The drop in temperature induces cane to accumulate sugar and ripening phase of the crop starts and growth of sugarcane plants is greatly restricted. The crop need irrigation during the rainy season also, if there are long dry gaps. One or two irrigations are found advantageous during the winter. Some time, sugarcane crop also suffers a lot due to floods in the eastern parts of the sub-tropical belt.

1.5 Maharashtra, Andhra Pradesh, Tamilnadu, Karnataka, Gujarat, Orissa and Kerala are the important sugarcane growing States in the tropical belt. Being a tropical crop, sugarcane gets amenable agro-climate conditions for its growth in this belt and gives comparatively higher yield than those obtained in the sub-tropical belt. However, copious irrigation (25 to 40% irrigation) are necessary to be given to the sugarcane crop in different areas during its life cycle to get proper yields. The life cycle of sugarcane crop ranges between 10–14 months for short duration (Eksali) crop and extends to 16-18 months in case of long duration (Adsali) crop which is mostly grown in Deccan Canal tract of Maharashtra and some part of Andhra Pradesh etc. The equable climate with moderate temperatures and warm sunny days make it possible for the cane crop to grow well through most part of the year. In such conditions, sugarcane is capable of being grown as 12 to 18 months crop. During the winter months, the temperature is low enough ranging between 13°C and 17°C which suit a ripening of the crop. The practice of raising an Adsali crop is, therefore, practised on a large scale in these areas. The yield of sugarcane and sugar recovery in these areas are generally highest, not only in this belt but also in the country as a whole.

1.6 In general, the sugarcane yields and sugar recoveries are quite high in tropical belt as compared to the Sub-tropical areas. The coastal areas of Tamil Nadu, Andhra Pradesh and Kerala, however, face the problem of low recovery of sugar as the humid and warm climatic conditions obtaining in these areas are conducive to vegetative growth of the crop and not to accumulation of sugar.

Area, Production and Yield of Sugarcane

1.7 Production of sugarcane in India has been rising gradually during the last four decades. During the base year of the first five year plan, 1950-51, production of sugarcane was 57 million tonnes from an area of 1.7 million hectares. It increased to 227 million tonnes on an area of 3.3 million hectares during the year 1993-94. The area and production declined by 7.08% and 10.2% respectively during 1992-93 as compared to 1991-92 due to adverse weather conditions prevailing at the sowing period of the crop of 1992-93.

1.8 During the period, 1949-50 to 1990-91, the area under sugarcane crop recorded a compound growth rate of 1.84%, its yield a compound growth rate of 1.15% leading to a compound growth rate of 3.01% for sugarcane production.

Sugarcane Varieties

1.9 A suitable variety of sugarcane is the very base on which depends the prosperity of both the sugarcane growers and the sugar industry. The development of the organised industry of sugar in India, dates back to the evolution of the famous high yielding disease-resistant hybrid varieties of sugarcane, developed by the Sugarcane

Breeding Institute, Coimbatore in collaboration with the State sugarcane research Stations. The popularly known varieties as, Co. J. Co. S., Co. A., Co. M., Co. C., etc. have replaced the low yielding indigenous canes in sub-tropical and tropical areas of the country since 1918. Sugarcane Breeding Institute, Coimbatore has released more than 2000 sugarcane varieties for different agro-climatic zones of the country. Every year the existing and the newly developed varieties are examined in the context of their suitability and utility. Periodical assessment of valuable composition of sugarcane in India is very vital to study the behaviour and commercial acceptability of different varieties of their performance in relation to total sugarcane and sugar production.

Development of Sugarcane

1.10 Though sugarcane production has been doubled during the last two decades, the yield, however, hovers around 65 tonnes per hectare, with wide variations in yield from State to State, being as low as 25 tonnes per hectare in Meghalaya to as high as 107 tonnes per hectare in Tamil Nadu. The various constraints which have hampered desired growth of sugarcane cultivation are as under :

1. Inadequate production and supply of disease-free seeds of suitable varieties having high cane yield, sugar content, early maturity etc.
2. Prevalence of diseases/pests particularly red rot, pyrilla, stem-borer etc.
3. Neglect of ratoon crops.
4. Inadequate transfer of production technologies including of farmers and staff.
5. Improper use of irrigation facilities.
6. Deteriorating soil health including depleting level of micro-nutrient.

1.11 The Ministry of Agriculture in a post-evidence note submitted to the Committee, informed about the constraints affecting yields in sub-tropical areas in the various zones. These are as under :

(A) North-Western Zone

1.12 This zone comprises of the sugarcane growing areas in the States of Punjab, Haryana and North-Western U.P. The major constraints in this particular zone are :

(a) Pre-monsoon drought in the planting season (*i.e.* Spring).

(b) Salinity in pockets.

(c) Frost in the Northern regions of Punjab.

(d) Prevalence of diseases like red-rot disease, top borer and stem borer.

(B) North-Central Zone

1.13 This zone comprises of the sugarcane growing areas in the States of Bihar, Eastern U.P., parts of West Bengal and Northern tracks of Assam. The major constraints in this zone are :—

(a) Pre-monsoon drought

(b) Water-Logging

(c) Red-rot

(d) Top borer.

(C) North-Eastern Zone

1.14 N.E. Zone comprises of sugarcane growing areas in Eastern West Bengal and Assam. The major constraints of this region are low productivity laterite soil.

1.15 The Chief Secretary, Government of U.P. with whom the Committee interacted, explaining the reasons for low productivity in his State informed the Committee that the impediments in improving production and productivity level of cane in U.P. include low utilisation of sugarcane by mills, uneconomic size of holding and lack of adequate resources leading to low investment by cane growers. The average size of holding in U.P. is 0.9 hectare. The holdings are very small in Eastern U.P. Moreover, lack of adequate resources also lead to low investment resulting in low sugarcane production and productivity.

New Production Technology

1.16 The Union Agriculture Ministry, in a bid to correct imbalance in productivity levels, have drawn up following programmes to improve the yields.

1. Evaluation of germplasm material as well as improved genetic materials in the Tropical and Sub-Tropical zones. The materials found suitable under respective agro-climatic zones are to be used in breeding programme.

2. Special breeding programmes have been taken up to incorporate salinity resistance by identifying salinity tolerant parental material.

3. Special breeding programmes have been taken up for improvement of resistance against red rot and top borer. Special breeding programmes have also been taken up to identify parental material as well as commercial varieties for water logging.

1.17 As a result of these programmes recently in the All-India Coordinated Workship on Sugarcane, the following varieties were identified : Co 87268, Co 87270 for the North-Central Zone as well as North-Western Zone. Co 89003 has also become and is assuming commercial importance in the States of Punjab and Haryana as a replacement for CO 1148, COJ 64. Similarly BO 91, BO 92 in the North Central Zone is also being replaced by highly promising varieties like CO 87268.

1.18 For the control of major pests in the Sub-Tropical area, such as to borer, the use of carbo-furana has been standardised. Similarly for other constraints, a biotic agronomical practices have been worked out to increase productivity in the sub-tropical areas. Biological control of short borer as well as top borer has also been standardised with parasites and predators for this area.

1.19 Commenting upon institutional arrangements that exist in States to demonstrate the production technology, the Ministry of Agriculture in a note submitted to the Committee stated that "there are Sugarcane Research Centres/SAUs under ICAR system and departmental Farms under State Agriculture Department in all the major sugarcane growing States for propagation of improved production technologies through field demonstrations, extension services etc., for adoption of improved sugarcane production technologies."

1.20 Moreover, a set up also exists at Centre and State levels for the promotion and development of sugarcane. Directorate of Sugarcane Development in the Ministry of Agriculture maintain liaison between the Central and State Governments on sugarcane developmental work. The Indian Institute of Sugarcane Research, Lucknow looks after the sub-tropical region and Sugarcane Breeding Institute, Coimbatore looks after tropical region for propagation of improved sugarcane production technologies.

1.21 When asked during evidence about existence of any centrally sponsored scheme for promoting sugarcane cultivation, the representative of the Ministry of Agriculture stated, "There was no scheme for sugarcane as such. Sanction has now been given in the remaining years of 8th Plan to implement a Scheme titled 'Sustainable Development of Sugarcane Based Cropping System' (SUBACS). This

Scheme will start from this year and an amount of Rs. 69.8 crores has been sanctioned for the scheme."

1.22 The basic objective of the scheme is to increase the productivity of sugarcane together with the production of other crops grown in cropping sequence, which will be done *inter-alia* by the propagation of improved production technology through field demonstration and motivating farmers to adopt improved production technologies. In order to achieve these objectives, the following strategies have been underlined :—

1. Propagation of improved crop production technologies through organisation of field demonstrations on farmers holdings and training of farmers including farm women and extension workers.

2. Setting up the Heat Treatment Plant for multiplication of disease free seed and making available healthy seed material to the farmers.

3. Encouraging the use of Integrated Pest Management (IPM) Technology.

4. Introduction of Tissue Culture Technique for quicker multiplication of seed material.

5. Replacement of low-yielding varieties with high yielding varieties having biotic and abiotic resistance.

6. Planting and harvesting of sugarcane by use of farm inputs.

7. Promoting a sense of competition among farmers for maximising the productivity.

1.23 On being asked as to how the requirement of farmers in regard to inputs such as seeds, pesticides, weedicides, farm implements, irrigation sprinkler sets, credit requirement were met, in the absence of any Centrally Sponsored Scheme on Sugarcane, the representative of Ministry of Agriculture during evidence stated that "in spite of State Governments not having any scheme the requirement of cane growers were met through the normal delivery System for which quality seeds, planting material etc. developed by Universities/Research Institutions were made available to them. There was no special scheme for it. It did not get due focus."

1.24 When the Committee desired information about the institutionalised arrangements that exist to disburse inputs required for cane cultivation in State of U.P., the Chief Secretary informed.

"The disbursement of credit and distribution of other inputs required for cultivation of sugarcane such as seed, fertilizers, and pesticides etc. is done through the cane cooperative societies. The credit requirement for seed is met by the Cane Seed and Development Corporations through Cane Cooperative Societies. The Cane Seed Corporations take loan from the commercial banks at an annual interest rate of 14% through the Cane Cooperative Societies. As for credit for fertilizers and pesticides under the NABARD scheme, Cane Cooperative Societies get loan from the District Cooperative Bank, which in turn get from the State Cooperative Bank. The Cane Cooperative Societies received loan at the annual rate of interest of 9% which is disbursed to member growers at the interest rate of 12%. The interest margin retained by the Cane Cooperative Societies is 2% whereas 1% margin is given to primary agricultural credit cooperative societies".

1.25 He further stated that "the credit available on the concessional rate to the farmers is not sufficient according to their requirement due to the fact that some of the cooperative banks are weak and are not in a position to provide adequate credit facilities. District Cooperative banks in 11 districts are not in a position to provide any credit facility due to constraint of funds and their weak financial position. However, the cooperative department is seized of the problem and doing the needful."

1.26 52 per cent of cane is grown under non-mill areas whereas just 48 per cent under mill area. Asked how the development of sugarcane is taken care of in mill and non-mill areas, the Ministry of Agriculture in a note stated that "the Ministry of Food is operating a fund called Sugar Development Fund for giving financial assistance to the sugar factories for modernization and rehabilitation, cane development and grants for rehabilitation in sugar industry. In non-mill Sugarcane areas State Governments are looking after the development of sugarcane and to supplement it, Ministry of Agriculture have proposed a new scheme *i.e.* Sustainable Development of Sugarcane Based Cropping System for both mill and non-mill areas."

1.27 The representatives of State Government of U.P., during the tour of Committee, deliberating about cane development scheme, in the State, informed that such schemes have been undertaken at District level, which *inter alia* provided (a) schemes for intensive cane development with components like production of promising cane seeds, seed and soil treatment programme and Ratoon management programme, (b) Inter-village link road programme. The State sector schemes have programmes like (a) Control of pests through ground and aerial methods and (b) Construction of link roads in new sugar factories areas. The State have no specific cane development scheme in non-mill area, as all the districts growing cane are under mill-area.

1.28 When the Committee enquired about the various roles played by various functionaries, such as Cane Commissioner, Agriculture Commissioner and Director Sugarcane, for the development of Sugarcane, the Union Ministry of Agriculture in a note stated:

"The Cane Commissioners have been assigned the function of looking after the work of sugarcane crop, its production and disposal in the States. Agriculture Commissioners are responsible for the development of all crops including sugarcane in the States. Director, Sugarcane looks after and monitor the Development of Sugarcane work in the country in the Ministry of Agriculture. They have been able in a large measure, to overcome the problems faced by the cane growers".

1.29 Narrating his experience of various difficulties, the farmers, encounters in raising sugarcane crop, a representative of grower (Bharat Krishak Samaj) informed the Committee that "there is total lack of transfer for technology from laboratory to fields. The farmers are not getting new varieties of cane developed by Agriculture universities, State Departments, and fertilizers in time. The promising strains developed through tissue culture techniques have not been made available to them. Moreover, the irrigation and electricity facility is very meagre. The drip irrigation by which yield can be increased manifold, is beyond the means of farmers owing to prohibitive cost. Even funds, made available from SDF for irrigational facilities, are not disbursed to growers with the result that development work of irrigation scheme has come to grinding halt".

1.30 When asked how the farmers are being trained to adopt and assimilate latest production technology and the achievements of Agriculture Extension Service in bridging the gap between R&D in labs and fields, the Ministry of Agriculture in a note submitted to the Committee stated that "training programme for the farmers for adopting new technologies covering agriculture and allied areas are organised by the State Departments of Agriculture, State Agricultural Universities, Krishi Vigyan Kendras, Farmers Training Centres and by the input support agencies. Besides, demonstrations, agricultural exhibitiones, field days, study tours, farmers scientists interactions are organised to provide latest production recommendations, including sugarcane cultivations wherever applicable. These efforts are further supplemented through print literature and mass media". Extension services in the country have been strengthened for effective transfer of technology from lab to land resulting increased production wherein extension has played a crucial role alongwith other critical inputs. Training infrastructure in the Central and State sector has been developed substantially at various levels to train senior, middle and grass root level functionaries. Research-extension linkages, information support, etc. have been augmented considerably. All these efforts are aimed at streamlining the process of technology generation, assessment and dissemination.

1.31 States like U.P. have set up an autonomous body *i.e.* U.P. Ganna Kisan Sansthan, to meet the training requirements of farmers as well as officials connected with cane development. Cane competitions are also held to encourage and motivate the growers to increase production and productivity. At the factory level, Cane Development Councils have been constituted. Senior Cane Development Inspectors alongwith field staff such as Cane Supervisores and Cane Development Inspectors are posted at the Council level. They also perform the task of disseminating information to the cultivators and motivate the farmers.

C. Marketing of Sugarcane

1.32 One of the most critical factor for the efficient functioning of a sugar mill is the availability of its main input *i.e.* sugarcane. Normally, a sugar factory process cane from 35,000 farmers. The sugarcane (Control) Order, 1966 regulates distribution and movement of sugarcane. The State Governments have been delegated powers to reserve supply of cane for sugar mills, taking into consideration the crushing capacity of factory. The quantity, quality and percentage of cane are also determined by the State agencies. The sugarcane growers of an area enters into agreement with the sugar mills and they are bound to supply sugarcane to these sugar mills. The sugar mills give incentives in the form of the subsidised inputs in bonded areas. The farmers of bonded areas are not generally allowed to take cane to other mills. To regulate the competition for cane, sugar mill has a reserved area *i.e.* say a radius of 15 Km.

1.33 Asked about institutional arrangements that exists for marketing of cane, in the State of U.P., the representatives of U.P. State Government informed that cane is supplied to factories through Cooperative Societies of cane growers which are bodies registered under provision of the U.P. Cooperative Societies Act, 1965. Since sugarcane is supplied to factories by thousands of sugarcane growers, hence it is necessary that there is a body to protect the interest of growers. In the event of factories being allowed to purchase cane directly from the growers, there are chances that in absence of any organisation to protect the interest of farmers, they may be subjected to harassment and unjust treatment and possibility of growth of middle man and agent cannot be ruled out. Cooperative Societies being representative bodies members, and its office bearers elected from among the Member growers, are very much part of the cooperative set up and play vital role in protecting the interest of farmers.

1.34 The system of supplying cane to sugar factories varies greatly. There are three discernible pattern noticed and are as under:-

I. In Northern States such as U.P., Haryana and Punjab, sugar factories have no direct link with the cane growers. In U.P. the sugar mills are required to purchase sugarcane through cooperative growers union/societies, of which every farmer selling cane to the factory had to be Member. Before the crushing season starts the mill make an agreement with the growers union, in which the quantity and time of delivery of sugarcane are specified. The Cooperative unions arrange supply of cane daily based on indents placed by the factories with them and they in turn issue harvesting orders to their grower members accordingly. The indents are not issued to cane growers directly. The harvesting challans or so called "purchies" are issued by cane societies, in advance. Most farmers prefer to sell their cane to the sugar mills since they pay higher price than the gur and Khandsari sector. Therefore, a criterion for the distribution of supplies amongst the members of the union has to be applied in order to prevent disputes between the Members. The quota allowed to the farmers is determined on the basis of average quantity supplied during the three years preceding the crushing season. The quota of growers is divided in the expected days of running of factories and the "purchies" are issued in equitable proportion. This system is good provided there is uniformity in cane maturity. However, in Bihar, a part of cane supplies is arranged through cane growers cooperative Union and remaining by factories through direct purchase from the growers. In both these States, the farmers harvest their cane and transport it to the sugar factories gate or at the purchase centre opened by the sugar factory. The cost of transportation of cane from purchase Centre and cost of weighment of cane at the purchase Centre and cost of driage from purchase centre to sugar factory are part of factory processing expenses. These States constitute 35% of national sugar output.

II. In tropical States, covering A.P., T.N., part of Karnataka and Kerala, factories have direct link with the farmers in which case the sugar factories get the entire area of cane surveyed well in time and obtain the supply of cane from the growers based on criteria of the dates of planting and cane varieties, with a view to ensuring proper maturity of the crops. In this system which constitutes 25% of national output, the farmers harvest their cane and transport to sugar factories and the later bears transport cost up to certain radius and rest is borne by the growers.

III. In Maharashtra and Gujarat, the growers supply the cane ex-field and the sugar factories, majority of which are in cooperative sector, arrange for cane harvesting and transportation to the factory premises for crushing.

1.35 The advantages of the system mentioned III above are as follows:—

(1) The cane supplies are large in number·and distributed over a wide area. Individuals supply small quantities and are having limited resources. Hence, advantages of factory controlled cane supplies are available only if sugar factory does this work on their behalf.

(2) Since cane transport charges are pooled together the question of location of sugar factory could be resolved strictly on the economic basis to keep total transport cost and transport time to the minimum.

(3) In the cooperative set up, each member gets same cane price ex-field, (in fact same price for his standing crop; as cane is also harvested by sugar factory).

(4) Only matured cane is harvested as per daily crushing requirement and maintenance programme.

(5) Harvesting of sugarcane by factories reduce diversion of sugarcane to Gur and Khandsari and help in increasing duration of season and in effective annual capacity utilisation and in cost reduction.

(6) Sugarcane is harvested by experienced harvesters under the supervision of the factories and the same is properly cleaned and dressed.

(7) Sugarcane is transported immediately after harvesting, which keeps sugarcane fresher at the time of crushing. There is least driage in this system. There is no deterioration in quality also.

(8) Regular supply of sugarcane for uninterrupted crushing is ensured, thereby ensuring regular flow of cane juice and steam and power to obtain better output.

1.36 On being asked during evidence as how State agencies/State Governments monitor the incentives given to farmers to boost cane production, the representative of Ministry of Food informed the Committee that "enlightened management will adopt its own methods to help the farmers."

1.37 When Committee brought to the notice of the representative that in certain areas sugar mills are giving preference to farmers to bring sugarcane from unreserved areas leaving the farmers of reserved area in lurch and asked what mechanism the Government have to stop such practices, he further clarified:—

"There is an obligation on both sides where the bonding is done. The obligation of the mill is that it has to take the cane as per the bonding. To honour this, again the State Government and their officers have to enforce this. As you are aware, it is only in rare cases where inadequate cane is there, the State Government allows the mill to go to an outside area *i.e.* to an unreserved area. The preference would definitely be to the farmers of the reserved area. But there may be occasions when there is inadequate cane and after consulting with the State Government, we may authorise to do. But it should not be at the cost of growers of the reserved area. We do not expect the State Government to allow bringing the cane from unreserved area till they do justice to the farmers in the reserved area. Their first obligation is to the farmers in the reserved area."

1.38 On being asked as to what penalty is imposed, if either side contravenes the contract, he further stated:—

"If they do not purchase as per bonding, there is a liability on them to pay. The rates are specified. Liability and reimbursement has to be made by the sugar mills if they dishonour the contract of purchase. There is a full payment, if there is default."

1.39 The *representatives of an apex sugar organisation* (ISMA) informed the Committee that "in the reserved areas, the cane is forced on a mill even if a mill declares that it is surplus to them. Failure to purchase, make them liable to pay damages".

1.40 When Committee pointed out as how the demarcation of cane is done in order to avoid diversion of cane to other sweetening agents, the Food Secretary informed that "Cane Commissioner determines the reserved and assigned areas." When further asked whether the growers are required to sell their produce directly to sugar mills, the Secretary deposed:

"If it is in the reserved area and within the required quota, then they have to sell it to sugar mill. There is a contract about the quantity which mill will take. The State Government notifies the reservation order. On the basis of that, for example, in UP the cooperative society informs its individual members that this much cane is required from members for the sugar mill. If the farmer does not supply that quantity, there is a penal clause. If the mill does not take that quantity, there is a penal clause".

1.41 The Cane Cooperative Societies especially in U.P. and Bihar organise cane supplies and seldom any importance is given to harvesting of cane maturity-wise. As a result, the recovery of percentage is reduced considerably. A representative of sugarcane growers informed the Committee that Cane Cooperative Societies, which are required to attend to developmental work like construction of roads, irrigation, facilities, incentives for switching over to improved varieties, provision of inputs for cultivations, do not pay any heed to them. Moreover, malpractices in distribution of "Harvest Challan" is also resorted to in large number. He was of the firm opinion that malpractices indulged in by Cane Cooperative Societies can be eliminated if Calendering of cane supplies be drawn on the basis of maturity is introduced and a close and direct linkage between factories and farmers be established.

1.42 Commenting upon the roles Cooperative Cane Societies have been performing in protecting the interests of cane growers, the representative of Ministry of Food stated: "the procurement of cane through co-operative cane societies are prominent in U.P. We have taken the view that mill owners should have the right either to buy cane from the Co-operative Society or directly from the farmers and we have advised the State Government to consider our suggestion. We find that a middleman is not useful. If there is a direct contact, it encourages a long term relationship between the two. When the Committee enquired as to how the interest of small and medium farmers would be protected, if these societies are done away with, he clarified" they (Cane Cooperative Societies) may have served some very useful purpose to protect the interest of small farmers. But when the mill establishes contact in other areas where societies are not working, they have direct contact even with the big and small farmers.

1.43 During the tour of the Committee to Lucknow, the representative of Government of U.P., explaining the role of cane cooperatives/societies, furnished the following information:—

"Supply and purchases of cane in the State is governed by the U.P. Sugarcane (Regulation of Supply and Purchase) Act, 1953, Rules and Orders made thereunder. According to the system prevailing in the State, supply of cane to the factories is made through Cooperative Cane Societies of cane growers. Societies enter into an agreement with their members for supply of a quantity of cane which is determined according to the instructions issued by Cane Commissioner. Keeping in view the quantity of cane offered by their members, societies enter into an agreement with factories for supply of certain quantity of cane. Indents are issued by factories to the societies and not to cane growers directly. Cane grown in the reserved or assigned area can be purchased by a factory only from a cane grower who has been issued identification card and cane requisition slip from the society. Therefore, neither the factory is free to purchase cane from a cane grower of any area nor the cane grower is free to supply his sugarcane to any factory. However, since the crushing capacity of factories is limited and they can crush only about the third quantity of cane produced by growers, the remaining two third quantity is at the disposal of grower which can be used by him as seed, for 'Gur' making or supply to Khandsari Units. Thus, a grower can transport his unbounded surplus cane outside a reserved/assigned area of a factory."

On the basis of year to year supply of cane to the factories, a quota of supply is fixed for grower. which is called 'Basic Quota'. A grower intending to supply more cane may enter into agreement with society for increase in his quota after payment of certain charges; extra quota being termed as 'Additional Bond'. A grower may supply 85% to 115% of his Basic Quota but he has to supply entire quantity of Additional Bond. A grower failing to supply above minimum quantity become liable for payment of penalty. He is also penalised by way of reduction in his Basic Quota. On the contrary, a grower fulfilling his commitment for supply is rewarded by way of increase in his Quota for the next year. It may be added that cane price fixed by the State as S.A.P. (State Advised Price) is quite attractive compared to S.M.P. (Statutory Minimum Price) and acts as an added incentive for the farmer to supply his produce to the mill.

As far as agreement between Society and factory, in the event of wilful failure to supply 85% of the agreed quantity, the society becomes liable to pay compensation to the factory at the rate of Rs. 0.33 per Qtl. of deficit in agreement. On the other hand, If a factory wilfully fail to take delivery of cane offered for sale as per agreement, factory becomes liable to pay the society actual price of cane, which it fails to purchase.

In addition to the above provisions, a factory purchasing cane from an area other than reserved to it and/or not purchasing cane lawfully offered for sale may be punished by imposition of fine amounting to Rs. 5,000 and or six months imprisonment for every default.

The cane cooperative societies are required to ensure proper arrangement of purchies (supply tickets) for equitable supply of sugarcane of their members. The cane cooperative societies have further streamlined their system of distribution of 'Purchies' through computerisation in most of the cases. Sugar Mills of the State are changing old weigh bridges into electronic weigh bridges on account of the pressure created by the cane cooperative societies for correct weighment of the cane.

Some of the cane cooperative societies of the State have become financially weak due to non-payment of their commission by the sick sugar mills. Steps have been taken to improve their financial position. The societies have been authorised to purchase fertilizers, pesticides and other inputs, according to their requirements and financial position and make it available to members, so as to increase the production and improve their financial position. Thus, the societies are playing vital role in this regard.

D. Cane Sampling, Delivery Schedules and Harvesting

1.44 Testing of the maturity of sugarcane before harvesting is very crucial for the purpose of crushing. Factors such as types of soil, moisture content, weather condition, application of fertilizer, date of planting and varietal characterization, effect quality of cane and maturity period. The system of cane supplies through cooperative union, in U.P. wherein cane quota is divided in the expected days running of factories to ensure equitable distribution amongst growers, is a good system provided the cane has uniform maturity throughout the entire season but it is defective when the cane crops has variable maturity period. The variability in maturity of cane crops is not taken into consideration in this system. In these States, the early ripening cane varieties are negligible due to poor yield. The harvesting of immature cane is a national waste. When asked how the immature cane be saved from harvesting, representative of Ministry of Food during evidence conceded that "cutting of immature cane is not desirable and it depends on the management. If a mill wants to start early season, they encourage sowing of early mature varieties and try to propagate these varieties which mature early. The farmer gets a different price for early maturing varieties.

1.45 The sugar factories in Maharashtra and other southern States, have a well defined cane sampling and delivery schedule. Under this system, each grower has to register his cane crop with details such as land survey number area, type of the crops, variety, date of planting, irrigation system, date of cutting of previous crop in respect of ratoon crops etc. The sugar factory get the crops surveyed primarily according to the date of plantation for the initial crushing campaign. The factory agricultural teams survey maturity of the crop by way of hand refractometers and make analysis and consolidate full data particularly listing brix in descending order. For each day, cutting orders are given to contractors for cane starting from highest brix with combination of plantation date (and cane output estimated in the plot) coming down to the next and next brix quantities as it ensure full requirement of the sugarcane quantities together giving required cane at highest level of brix for that day. The harvesting and transport is done in the most efficient manner. The irrigation to cane is stopped two weeks before the probable cutting date.

1.46 As the season progresses, the date of planting criterion is gradually modified by maturity values and finally maturity value becomes sole criterion. So far as cane variety is concerned, plantation of different varieties *i.e.* early maturing, mid maturing and late maturing, plantation is planned so as to give high recovery in each period and recovery graph is tried to be evened out or flattened out as much as possible.

1.47 In the cooperatives of Maharashtra, Gujarat and North Karnataka harvesting transport of cane is done through labour teams of contractors. The labour/contractors are strongly organised and wage rate are decided at State level by bargaining and with general support of the State Government.

E. Sugarcane Pricing Policy

1.48 The most important factor that weighs in the mind of a cultivator at the time of planting cane is the price of cane realised by him in the preceding season and the expected return from alternative crops. A minimum price of cane is, therefore, fixed by the Government of India since 1930. Sugarcane has been declared as an essential commodity under Essential Commodities Act, 1995. As per the provisions of the Sugarcane (Control) Order, 1966 issued under the Essential Commodities Act, 1955, sugar mills are required to pay initially only the Statutory Minimum Price (SMP) announced by the Central Government. The SMP serves as a floor price below which no sugar factory can pay to cane growers. This price is taken into account for the fixation of ex-factory price of levy sugar. Thereafter, on the basis of their working results during the season, the overall profits are required to be shared in terms of the said Control order. According to clause 5A of the Sugarcane (Control) Order, 1966, an additional cane price over and above the minimum cane price fixed under the Order becomes payable to the grower in accordance with the formula given in the Second Schedule of the Order, popularly known as Bhargava Formula. The adherence to the Bhargava Formula is meant to safeguard the interests both of the cane growers and the factory owners and at the same time ensures adequate liquidity with the factories to enable them to clear their cane price dues promptly and also spare funds for expansion/modernization. However, despite the aforesaid provisions, some of the State Governments are announcing independently State Advised Cane Prices (SAP) which are higher than the SMP announced by the Central Government and the sugar factories are also compelled to pay the same. Such high State Advised Price announced by the State Governments have resulted in undue delay in payment of sugarcane price dues to the farmers and have also many a times adversely affected the viability position of the sugar factories. Accumulation of cane arrears cautions farmer to allocate less land for sugarcane in next season, State Governments have on the other hand contended that due to inflationary pressure, particularly hike in the prices of inputs, the farmers are losing interest in growing sugarcane and they are more attracted by other cash crops, like oilseeds, vegetables, sunflower and so on. Therefore, State Governments have no alternative but to declare higher SAP.

Legal Framework for Fixation of Sugarcane Price

1.49 As per Clause 3 of the Sugarcane (Control) Order, 1966, the minimum price of sugarcane to be paid by the sugar mills is required to be calculated having regard to the following:

(a) The cost of production of sugarcane.

(b) The return to the grown from alternate crops and the general trend of prices of agricultural commodities.

(c) The availability of sugar to the consumer at a fair price.

(d) The price at which sugar produced from sugarcane is sold by producers of sugar and

(e) The recovery of sugar from sugarcane.

1.50 Over and above the Statutory Minimum Price of Sugarcane, the sugar factories are required to pay the additional price for sugarcane determined by the following formula specified in clause 5A of the order:—

"The amount to be paid on account of additional price (per quintal of sugarcane) under clauses 5A by a producer of sugar shall be computed in accordance with the following formula, namely :

$$X = \frac{R - L + 2A + B}{2C}$$

Explanation in this Formula

1. 'X' is the additional price in rupees per quintal of sugarcane payable by the producer of sugar to the sugarcane grower;

2. 'R' is the amount in rupees of sugar produced during the sugar year excluding the excise duty paid or payable to the factory by the purchaser;

3. 'L' is the value in rupees of sugar produced during the sugar year, as calculated on the basis of the unit cost per quintal ex-factory, exclusive of excise duty determined with reference to the minimum sugarcane price fixed under Clause 3 of Sugarcane (Control), Order, the final working results of the year and cost schedule and return recommended by such authority as the Central Government may specify from time to time;

4. 'A' is the amount found payable for the previous year but not actually paid *vide* sub-clause (9) of the said order;

5. 'B' is the excess or shortfall in realisation from actual sales of the unsold stocks of sugar produced during the sugar year, as on 30 day of September *vide* item 7 (ii) below which is carried forward and adjusted in the sale realisations of the following year;

6. 'C' is the quantity in quintals of sugarcane purchased by the producer of sugar during the sugar year;

7. The amount 'R' referred to in explanation 2 shall be computed as under, namely:—

(i) the actual amount realised during the sugar year; and

(ii) the estimated value of the unsold stocks of sugar held at the end of 30th September calculated in regard to free sugar stocks at the average rate of sales made during the fortnight 16th to 30th Septemer in regard to levy sugar stocks at the notified levy prices as on 30th September.

Explanation: In this Schedule 'Sugar' means any form of sugar containing more than ninety percent of sucrose".

1.51 The SMP is announced in advance of every sowing season and is subject to revision subsequently on the basis of the revised recommendations of CACP.

1.52 The SMP accounced by the Central Government is linked to a basic recovery of 8.5 per cent. A premium is paid for every 0.1 percentage above that level. Factory-wise SMP is accordingly notified by the Central Government on the basis of operational results of each factory.

Minimum Price of Sugarcane

1.53 The Commission for Agricultual Costs and Prices of the Ministry of Agriculture undertakes a study of cost of sugarcane cultivation and recommends Minimum Price of sugarcane to the Government of India keeping in view the factors enumerated under clause 3 of the Sugarcane (Control) Order, 1966. Keeping in view the recommendation of the CACP and also taking into account, the other representations received in this regard, the Ministry of Food fixed the SMP linked to a basic recovery of 8.5% on cane with premium for higher recoveries.

1.54 When asked to explain the various factors taken into account while computing Statutory Minimum Pirce for Sugarcane, the Economic Adviser to Ministry of Agriculture stated : "Apart from making a comprehensive overview of the entire structure of economy of a particular commodity, the CACP considers 11 other important factors. These factors are:

(1) Cost of production, (2) Changes in input prices, (3) Input/output price parity, (4) Trends in market prices, (5) Demand & Supply situation, (6) Inter-crop price parity, (7) Effect on Industrial cost structure, (8) Effect on General Price level, (9) Effect on cost of living, (10) International Market price situation, and (11) Parity between price paid and price received by farmers.

1.55 When the Committee further enquired as to what weightage is given to these factors, he further stated : "There is no fixed weightage for this. CACP is an Expert body. It gives its expert opinion on price fixation. They consider all the factors and then decide it. There is no mechanical formula and as such, no one to one relationship between SMP and these factors can be established."

1.56 In a post-evidence note, the Ministry informed that besides 11 factors, the Commission for Agricultural Costs and Prices also takes into consideration the realisation obtained from by-products of sugarcane and cost of transportation/harvesting.

1.57 When asked whether actual expenses on transportation are included while computing SMP the representative of Ministry of Food during evidence stated: "In certain States like Maharashtra and Gujarat, the practice is that the sugar mill goes to the field of the farmer, harvest the cane and bring it. In some States the farmer has to deliver to the cane centre or he has to bring the cane to the mill gate. In that case they do not get reimbursement. But an element of transportation is provided in the Statutory Minimum Price fixed by the Government".

1.58 As availability of sugar at fair price to the consumers is one of the consideration while determining SMPs, when enquired during evidence as to whether the concept of fair price has been defined anywhere, he stated: "It has not been defined anywhere. But the whole effort is that in the whole process of making sugar to the consumer there are three main interests involved, a prosperous farmers, a healthy industry and a satisfied consumer. We have to start with the producer. The game is of a competition for the raw material. Only a person who pays more for the cane in the open market gets the raw material. Even if you have regulations of some sort, they will default on that. That is why, despite the cost of production worked out by the CACP, the market does not accept that. Actually the value of the cane is more than the cost of production. The farmer today is getting more than the cost of production worked by the CACP. Rs. 39 is the cost of production; but in fact, all over the country the farmers are getting more because the market dictates what is the price of this raw material.

State Advised Prices

1.59 Most of the State Governments, have been advising sugar factories to pay cane prices generally much higher than the SMP. These prices are in the nature of advised price and are not statutorily binding. The SMP of Sugarcane is being announced in advance of the sowing season since 1986-87 by the Central Govt. The SMP paid since 1986-87 is as under :—

Season	SMP Linked to 8.5% recovery (Rs. per qtl.)
1986-87	Rs. 17.00
1987-88	Rs. 18.50

Season	SMP Linked to 8.5% recovery (Rs. per qtl.)
1988-89	Rs. 19.50
1989-90	Rs. 22.00
1990-91	Rs. 23.00
1991-92	Rs. 26.00
1992-93	Rs. 31.00
1993-94	Rs. 34.50
1994-95	Rs. 39.10
1995-96	Rs. 42.50 (Advance announcement)

1.60 As against SMP of Rs. 31.00, Rs. 34.50 and Rs. 39.10 per quintal, the State Advised Cane prices linked to 8.5% recovery for seasons, 1992-93, 1993-94 and 1994-95 in major cane producing States were as follows :—

(Rs. per quintal)

	1992-93	1993-94	1994-95
Uttar Pradesh	Rs. 46 to 49	Rs. 58 to 61	Rs. 66 to 70
Bihar	Rs. 46 to 49	Rs. 53.50 to 56.50	Rs. 66 to 70
Punjab	Rs. 46 to 50	Rs. 58 to 62	Rs. 68 to 72
Haryana	Rs. 46 to 50	Rs. 56 to 60	Rs. 66 to 70
Tamilnadu*	Rs. 37.00	Rs. 45	Rs. 52.50

* Linked to 8.5% recovery in Tamilnadu.

1.61 Different system of State Advised Price prevalent different States are under:—

1. Northern State—Uttar Pradesh, Haryana, Punjab, Bihar and Madhya Pradesh

A uniform State Advised Price is fixed for payment in one instalment after delivery of cane. It is not linked to recovery percentage. Premium is allowed for early/high sucrose varieties.

2. Maharashtra

A Committee headed by the Chief Minister of the State determines the policy for a particular year for cane price and for finalising the cane price of the last season. The Committee does not decide SAP as such but only the first advance to be given by the factory. The first advance is decided taking into account Statutory Minimum price declared by Government of India, overall availability of Sugarcane, market prices of sugar and molasses and the likely final cane prices of various factories during the last season. This State Advised Minimum Price to be paid to the Cane Growers is ex-field and does not include transport and harvesting charges. The transport and harvesting charges are borned by the sugar factories. The first advance so decided by the Ministers' Committee is normally higher than the Statutory Minimum Price declared by the Government of India. Unlike SMP declared by Government of India, the SAP, however, does not vary from factory to factory and is the same for all the factories irrespective of recovery. However, a departure was made• from this policy in 1993-94 season when different prices for different factories were announced.

The State Ministers' Committee also takes decision about the norms for deciding final cane price of the preceding season. On the basis of the norms decided by the Ministers' Committee of the State, Commissioner of Sugar taken up the detailed exercise of fixing the final cane price for various factories. This final cane price, however, differs from factory to factory since recovery, expenses and incomes are varient. While deciding final cane price and in order to maintain the price parity among various sugar factories, there is system of a ceiling on the cash compound of the final cane price and balance is retained with the sugar factories as term deposits carrying interest. While deciding final cane price by the Commissioner of Sugar, all expenses incurred by the sugar factories in manufacturing sugar and income from sugar and various other by-products are taken into account. The final cane price in Maharashtra is decided after permissible deductions by the factories themselves. All the surplus is distributed to the farmers as cane price and there have been wide variations from factory to factory.

3. Gujarat

All the sugar factories of the State are in Cooperative Sector and the farmers are their owners. The cane price is decided by the sugar factories themselves and Bhargava Formula is not applied in the State.

The formula adopted in the State is as under:

(a) Ex-field price

Minimum price declared by the Government of India (+) Additional Cane Price (–) Transport and harvesting charges.

(b) Ex-factory price

Minimum price declared by the Government of India + Additional Cane Prices.

In South Gujarat, the cane price is paid in instalments. First instalment is paid at the time of crushing, second at the closure of the season and the third and final instalment after the end of sugar year taking into consideration the estimated profit and loss.

In Saurashtra region, the cane price is paid in two instalments. Major amount is paid as first instalment at the time of crushing and second and final instalment is paid after the end of sugar year taking into consideration the estimated profit and loss.

The final prices are paid with the approval of the Board of Director. However, where there is a stake of the State Government, the final payment towards cane price is made with the approval of the Government.

4. Karnataka

The State advised Price like the Statutory Minimum Price, is linked to sugar recovery of 8.5%. The sugar factories have to pay the cane price as per the State Advised Price. However, the Government does not impose any restrictions of some of the sugar factories pay more because of higher realisation due to increase in the prices of sugar and other by-products or if their conversion cost is comparatively low.

The Government of Karnataka has constituted a High Power Committee to advise the Government about the fixation of SAP. The composition of the High Power Committee includes managements of the sugar factories, representatives of the cane growers, M.Ps., M.L.As. and M.L.Cs of the sugarcane growing areas and the concerned officers of the State Government. The High Power Committee hears the views and suggestions of the participants, and decides about the State Advisory Price to be recommended to the State Government.

The State Government takes the following factors into consideration while fixing the S.A.P.

(a) Realisation from the sale of free and levy Sugar.

(b) Realisation from the sale of molasses, etc.

(c) Purchases Tax rebates to the farmers (Rs. 12/- per tonnes)

Expenditure Aspects:

(a) Conversion cost of sugar (weighted average)

(b) Purchase Tax and Turn-over-tax

(c) Cane cost.

The sugar factories in Southern and Central Karnataka pay cane price ex-factory, except a few which meet the transportation charges to some extent as a gesture of goodwill to the farmers. The sugar factories of Northern Karnataka (Belgaum, Bijapur, and Bidar District) pay cane price ex-field in instalments. In other word, they meet the harvesting and transportation charges in full.

Tamil Nadu

Before taking a decision on the level of State Advised price, the State Government discuss it with the representatives of the Cane Growers Associations belonging to each sugar factory in the State and also the sugar factory managements, and get their views. Taking into account the cost of cultivation for sugarcane, the income from sugarcane *vis-a-vis* other crops, the State Advised Price for cane (SAP) is fixed in such a way that it is fairly remunerative to the cane growers and does not affect the mills very much. Thus a reasonable level of SAP is being fixed and announced by the State Government, every season through Government Order which is scrupulously followed by all the sugar mills in the State.

Based on the peak period average sugar recovery of the previous season, the State's Commissioner of Sugar fix the mill-wise prices of sugarcane.

Andhra Pradesh

The cane price is fixed taking into account the cost of cultivation for sugarcane and other related aspects. The State Advised Prices are linked to a basic recovery of 8.5% of cane. The Prices are generally higher than SMP. After the close of the season the additional cane price on the basis of Bhargava Formula is worked out and paid to the farmers. For the season 1993-94, the SAP was fixed at Rs. 400/- per tonne linked to 8.5% recovery, with premium for higher recovery.

1.62 An apex Sugar Manufacturers' Association informed the Committee that in late 80's the disparity between SMP and SAP was within manageable range of Rs. 5/7 per quintal, and in the 90's it rose to 19/20 per quintal. As a result, the sugar industry has been exposed to serious risk and it has become difficult to realise break even levels for free sale sugar. The cane arrears position worsened due to uneconomic working and consequent inability of industry to make timely payment. Further, area under cane shrank and consequently sugar production declined necessitating large imports. Primarily, this situation arose due to lack of cohesion between sugarcane and sugar pricing policy.

1.63 When asked why State Governments were overpitching SAP, an apex cooperative organisation stated that "SMP has now become unrealistic as the State Government's calculations of cost of cultivation of sugarcane data are being disregarded by CACP. As a result, States are forced to pay attractive price to farmers so as to intact their interest in cultivating sugarcane. Moreover, due to inflationary pressures and unattractive prices, the sugarcane growers are switching over to more remunerative short duration crops such as oilseeds, vegetables etc.

1.64 The Ministry of Food in their evidence before the Committee admitted overpitching of State Advised Price, and stated. "They may not be doing it as a populist measure, though it may be at the back of their mind. The SAP determined by State may not be right. They may pitch higher than the market can bear. This will further aggravate the problem of sugar industry." When further asked how the difference between SMP and SAP be reduced, he further added, "we are keen that we should not overpitch the SMP because it will distort the cost of production and ultimately, the farmer will not get his due. This judgement is best done by the State Government. Some of the States have detailed negotiations and they try to fix SAP based on the working result."

1.65 It has been felt that there is need for a rational pricing policy for State Advised Prices of sugarcane throughout the country. For this purpose, the Central Government constituted a Committee of 5 Ministers of Uttar Pradesh, Punjab, Tamil Nadu, Karnataka and Maharashtra to make recommendations regarding pricing policy for State advised price of sugarcane. The Committee submitted its report on 3 April, 1995 and made the following recommendations :—

(i) that the Bhargava Formula existing in its present form in the Sugarcane Control Order, 1966 should be rescinded.

(ii) that a National Pricing Board for Sugarcane should be constituted whose Chairman will be appointed by the Government of India and it should consist of the representatives of important cane growing States as also the Ministries of Food, Civil Supplies and Agriculture of the Government of India.

(iii) the Board should each year before the start of the season call for from each State Government estimates of the cost of production of sugarcane based on the recommendations of the Agricultural Universities of their State or such other Institutions as the State Government may deem fit.

(iv) taking into account the recommendations of the State Governments, the Board should compute the cost of cultivation of sugarcane which should form the basis for fixing a national cane price to be utilised for the calculation of retail issue price of levy sugar.

(v) the Board should take into account the Statewise cost of cultivations and the likely returns from competing crops, the price actually paid in the previous season, price trend, realisations from sale of sugar during last season etc. and thereafter fix a realistic price of cane, Statewise/Zonewise, which shall be payable of the cane growers of that State/Zone after supply of their cane as first instalment. This price should be linked to basic recovery of 8.5% in the States in which such practice is in vogue, whereas in other State where lumpsum price is paid, the price could be fixed on lumpsum basis.

(vi) The dual pricing system may continue which should ensure a specified quantum of sugar to be supplied through the Public Distribution System at a reasonable price to the Consumer.

(vii) Lastly, the Board after the close of the season should consider the average realisations achieved during that season Statewise/ Zonewise and fix a final cane price for each State/Zone so that difference could be paid as additional and final instalment of the cane price in that State/Zone.

1.66 The recommendations of this Committee were considered by the Government in the Conference of Sugar Ministers of States held on 6.5.95. Though majority of States supported the formation of National Pricing Board, there was difference of opinion about its terms of reference. Government have decided to seek detailed suggestions of States so that a final view can be taken.

Cane Arrears

1.67 In terms of Statutory provisions contained in the Sugarcane (Control) Order, 1966 issued under the Essential Commodities Act, it is obligatory on the part of all sugar mills to pay the Statutory Minimum Price of sugarcane to growers. In the case of State-Advised Prices of sugarcane, which are substantially higher than the Statutory Minimum Price, the responsibility for ensuring timely payment of cane prices dues is primarily that of the State Governments. The role of Central Government is advisory in nature and it has impressed upon the State Governments from time to time to take necessary steps for clearance of such dues. The statements-showing cane arrear position is given at Annexures V & VI.

1.68 Perturbed over the rise in cane arrears, when the Committee enquired as to how the position can be improved, the representative stated : "I think the industry may require little more accommodation from the banks at the initial period to help them to tide over this problem. It would be quite useful if we can hold a dialogue with the industry because it is in out own interest".

1.69 Asked as to what steps the Government have taken to liquidate the cane arrears, the representatives informed that "The question of cane price arrear has been assuming very high priority in the Ministry in the last 2 years. Innumerable letters have been written to States to see how the arrears can be brought down. We have been impressing on all State Governments to treat this aspect (Cane arrears) on high priority basis. We are also making an all out effort even at the level of Minister. Unfortunately this year the cooperative sector has been a defaulter. Some of the State owned sugar mills have even been declared defaulter on this point. We use this argument with States like U.P. The arrears are not in the interest of farmers at all and not even in the interest of industry because it is the ultimate determinant for the farmers as to how much they will grow. We are quite vigilant of this front. The industry as well as State Governments are conscious of this. But there are some factors which are beyond their control, which leads to arrears.

1.70 The incidence of high cane arrears is prevalent in States like U.P., Bihar. However, in Maharashtra, it is marginally on lower side. Reacting to it, the representative stated :—

> "In States like Maharashtra, the liability on the mill is not as high as it is in States of North India where they are under obligation to pay the total amount. In Maharashtra, the payment gets deferred to a later period because they fix an advanced price and that splits the liability to a later period".

1.71 As per provision of Sugarcane (Control) Order, where a producer of sugar or his agent fails to make payment for the sugarcane purchased within 14 days of the date of delivery, he is liable to pay interest on the amount due @15% per annum for the period of such delay beyond 14 days. However, in terms of the judgement of the Madras High Court, interest payable is only on the Sugar cane price fixed under the Sugarcane (Control) Order and not on the basis of State Advised Cane Price, etc. Since the State Governments are themselves fixing the State Advised Price and since they have adequate field level machinery to enforce such payments, it is the responsibility of the State Government to ensure that the sugar factories pay interest on the delayed payments, etc. to the farmers.

1.72 Asked whether any interest is paid on the delayed payment of sugar prices and if so on what basis, the representative of the Ministry of Food stated : "Under the law interest is paid either on the SMP or the price on which an agreement has been entered into. This is the legal position. Today, we are not getting the returns to show separately what is on account of principal and that is on account of interest. States should be asked to give separate account on what is interest paid and make them to pay.

1.73 The representatives of U.P. in their evidence before the Committee submitted that "cooperative societies of cane growers through whom cane is supplied, interest for delayed payment has to be worked out by the Societies. Some societies have claimed interest on delayed payments. Explaining the legal position of the basis on which interest on delayed payment is to be determined, he further clarified "Legally the factories are liable to pay interest of State Advised Cane Price. But factories are contending that they are liable to pay interest on delay in payment of Statutory Minimum Cane Price only and not on State Advised Cane Price. Many Cooperative Societies have referred this dispute for arbitration before the Cane Commissioner".

F. Licensing of Capacity in Sugar Industry

A. Growth of the Sugar Industry

1.74 The sugar industry developed rapidly from 1932 onwards. when protection was granted under Indian Sugar Industry (Protection) Act, 1932. The number of sugar factories which as 32 during 1931-32 season, rose to 136 during 1935-36 and the production of sugar rose from 1.6 lakh tonnes to 9.47 lakh tonnes during that period. Thereafter, there was practically no development in the industry till independence. The second phase of development took place under the different Five Year Plan Periods, after Industries (Development and Regulation) Act, 1957, came into force in May, 1951. Under this Act, it became incumbent on each entrepreneur to take a licence from the Government of India both for establishment of new sugar factory and expansion of cane crushing capacity of the existing sugar factory.

1.75 The target for installed capacity and the actual installed capacity during different Five Year Plan are as under :—

Plan Period		Installed capacity in terms of Annual sugar production (lakh tonnes)	
		(Target)	(Actual)
First Plan	(1951-56)	20.3	17.77
Second Plan	(1956-61)	25.4	24.47
Third Plan	(1961-66)	35.6	32.25
Fourth Plan	(1969-74)	47.0	43.06
Fifth Plan	(1974-79)	54.0	56.26
Sixth Plan	(1980-85)	90.45	72.98
Seventh Plan	(1985-90)	114.69	93.4
Eighth Plan	(1992-97)	155.66	

1.76 The Government of India issued guidelines in different plan period for licensing of new sugar factories and expansion of existing units. Sectorial Priority, initial size of sugar plant which would be economically viable, distance criteria, limit for expansion of a unit, development of backward areas, priority for expansion and also provision of downstream units in order to ensure better utilisation of byproducts of sugar industry were specified in these guidelines. Keeping in view these guidelines, it was sought to achieve the targets of sugar production and licenced/installed capacity formulated under different plan periods to meet the requirement of sugar for internal consumption.

B. Sugar Licensing Policy for the year 1991-92 and the VIII Five Year Plan Period (1992-93 to 1996-97)

1.77 The latest guidelines for licensing of new and expansion of existing sugar factories covering the period of sugar year 1991-92 and the VIII Plan (1992-93) to (1996-97). were announced on 08.11 1991. The salient features of guidelines are as under:—

(1) New sugar factories will continue to be licensed for a minimum economic capacity of 2500 tonnes cane crush per day (TCD). There will not be any maximum limit on such capacity. However, in areas specified as industrially backward areas by the Government of India and certified by the Indian Council of Agricultural Research to be agro-climatically suited for the development of sugarcane, licensing of

new sugar factories in the co-operative and public sectors would be allowed for an initial capacity of 1750 TCD subject to the condition that the units would expand their capacity to 2500 TCD within a period of 5 years of going into production.

(2) Licences for new sugar factories will be issued subject to the condition that the distance between the proposed new sugar factory and an already existing licensed sugar factory should be 25 kilometers. The distance criterion of 25 Kms. could, however, be relaxed to 15 Kms. in special cases where cane availability so justified.

(3) The basic criterion for grant of licences for new sugar units would be their viability and mainly from the point of view of cane availability and potential for development of sugarcane.

(4) All new licences will be issued with the stipulation that cane price will be payable on the basis of sucrose content of sugarcane.

(5) Other things being equal, preference in licensing will be given to proposals from the co-operative sector and the public sector, in that order, as compared to the Private Sector. In case more than one application is received from any zone of operation, priority will be given to the application received earlier. However, in such cases also, preference will be given to the co-operative Sector, followed by the Public Sector and the Private Sector, in that order, even though the applications of the first two sectors may be of later date.

(6) Priority will continue to be given to sugar factories with capacity less than 2500 TCD to expand to the aforesaid minimum economic capacity.

(7) While granting licences for new units and expansion projects, the additional capacity to be created upto the end of the Eight Plan, *i.e.*, 1996-97 will be kept in view.

(8) While granting licences for new sugar factories, industrial licences in respect of down stream units for the use of molasses *i.e.*, industrial alcohol etc. will be given readily.

(9) Application for licences will be initially screened by the Screening Committee of the Ministry of Food. While considering such applications, the comments of the State Government/Union Territory Administration concerned would also be obtained. The State Govt./ Union Territory Administration would be required to furnish their comment within 3 months of the receipt of communication from the Ministry of Food.

(10) Applications for grant of industrial licences for the establishment of new sugar factories as well as expansion of existing units should be submitted directly to the Secretariat for Industrial Approval in the Department of Industrial Development.

1.78 Applications for grant of industrial licences for the setting up of new sugar factories and for effective substantial expansion in the existing units are scrutinised initially by the Screening Committee of the Ministry of Food. The procedure for processing of expansion applications has liberalised w.e.f. 8.6.1993 and these are no more required to be considered by the Screening Committee. Such cases are processed in the Food Ministry and recommendations forwarded to the Secretariat of Industrial Approvals in the Department of Industrial Development.

1.79 There were enormous delay in converting LOI into IL, issue of completion certificate and grant of incentives to sugar factories thereby resulting in financial losses. In the letters of intent being used there were many conditions which had become outdated and therefore needed review. To cut down delay, the procedure has how been simplified. The sugar factories were also facing great difficulties in fulfilling various conditions of LOI and were taking much time to fulfill the same. The procedure for conversion of LOI into IL has since being liberalised.

C. Policy and Growth of Industry

1.80 The position in respect of achievement of licensed and installed capacity during the Sixth and Seventh Plan as also during 1990-91, 1991-92, 1992-93 and 1993-94 alongwith the number of factories are as given below :—

(Lakh Tonnes)

Plan Period	No. of existing factories	Licenced capacity	Installed capacity
1	2	3	4
Sixth Plan (1980-85)	358	87.47	72.98
Seventh Plan (1985-90)	396	162.229	93.413
1990-91 (As on 30.9.91	403	170.41	98.48

1	2	3	4
1991-92 (As on 30.9.92)	410	175.567	102.3941
1992-93 (As on 30.9.93)	420	176.7225	109.4092
1993-94 (As on 30.6.94)	429	202.4191	115.4505

1.81 The target fixed for the VIII Five Year Plan starting from 1992-93 onwards upto the year 1999-2000 are as under :—

Target

Year	Internal Consumption (L.T.)	Production of sugar (L.T.)	Installed capacity (L.T.)	Licence capacity (L.T.)
1992-93	120.39	121.68	128.08	163.44
1993-94	126.41	127.76	134.48	171.66
1994-95	132.73	135.13	141.19	180.20
1995-96	139.37	140.84	148.25	189.21
1996-97	146.34	147.88	155.66	198.67
1997-98	153.66	155.27	163.44	208.60
1998-99	161.34	163.03	171.66	219.03
1999-2000	169.41	171.19	180.20	229.98

1.82 Financial requirements—The average gestation period for setting up of a new sugar factory/expansion from the date of letter of intent is about 4 years and 3 years respectively. The project cost of a new sugar factory of 2500 TCD is now assessed at about Rs. 49 crores. The requirement of finance for achieving the targeted installed capacity for each of the years during VIII Five Year Plan period is as follows :—

(a) New project—The debt-equity ratio has been assumed as 60:40. The entire equity capital would require to be raised by the second year. The term loans would require to be made available 50 per cent in the third year and the balance 50 per cent in the fourth year.

(b) Expansion—The debt-equity ratio has been taken as 50:50. The entire equity capital would be required in the year subsequent to the year of licensing. The term loans would required to be made available 50 per cent in the second year and the balance 50 per cent in the third year.

1.83 When asked during evidence, the availability position of credit for new sugar mills, the Secretary (Food) informed the Committee that : "Private Sector do not get any assistance from either State or Central Government. They have to apply for loan to the financial institutions including banks who are now authorised to grant loan. They can also raise share capital from the public. They get loan at the market rate of interest. As far as the cooperatives are concerned, they receive share capital from the Government. There is no subsidy from the Government to the Cooperatives. The rationale is that the growers are within a certain radius and they have to operate within that limited area to collect funds. There is resource constraints for Cooperative Sector. A private sector placed at Ahmedabad can raise money from Bombay or Madras but the cooperative unit can raise loan only from local farmers. The NCDC also gives loan. The share capital comes from the State Government. Growers arrange for 25 per cent of the capital and 75 per cent comes from the Government. The share capital of the Government is repatriated from the growers by increasing their share. But there is no subsidy. One of the important aspects of this is availability of finance as well as technical capability. As far as financial institutions are concerned, I can state authoritatively that there is no shortage of funds with them, subject to viability. They are willing to finance the projects. They have stated in a meeting which was held in 1994 in our Ministry that there was no shortage of funds. The number of units to whom these term loans were sanctioned year-wise is also available with me. During 1994, they have in fact, sanctioned more than in the two previous years combined together which shows that the institutions today are in a position to take up cases on an increasing basis subject to viability."

1.84 The representatives of Government of U.P., when asked about non-availability of finance to commission new units/expansions of existing units, informed the Committee that loans were not sanctioned and disbursed in time for setting up of new sugar mills at Dhuriapar (Gorakhpur) and Jewar (Bulandshar) by Central Financial Institutions *viz.* IFCI, IDBI & ICICI, since there were outstanding dues of these Financing Institutions on other cooperative sugar factories in Uttar Pradesh. Similarly, loans were delayed in case of modernisation and expansion of Morna (Muzaffar Nagar) Gujraula (Moradabad), Ghosi (Mau), Pooranpur (Pilibhit), Powayan (Shahjahanpur), Tilhar (Shahjahanapur) and Nanpara (Bahraich) by NCDC due to outstanding dues on other cooperative sugar factories. NCDC had made delays in the past in sanctioning and disbursing the loans due to certain other conditions also, *e.g.* non-constitution of committee of management, requirement of financial restructuring, deferment of purchase tax, appointment of professional chief executive etc. Now, NCDC has taken decision not to consider financial assistance to cooperative sugar factories, since there are outstanding dues on U.P. Cooperative Bank. Since all the cooperative societies are separate autonomous bodies there is no justification for delays in sanction or disbursement of loans to other cooperative institutions. Delay in sanction and disbursement of loans causes cost escalation, time overrun and also certain other problems.

1.85 Asked, if any element of subsidy is involved in funding pattern, the Food Secretary stated : "There is no incentive whether it is a private sector unit or the cooperative. That is left to the banks and financial institutions to decide."

1.86 Asked how financial viability is determined, he further added: "There is a normative viability which is taken into account, in any case, in the incentive policy. There is an incentive in today's condition. Suppose, there is no incentive and when the licence is issued, then the entrepreneur would have to convince the financial institutions that there is viability. So, as it is, a new licence would be issued in a regime where we expect the unit to come up. Otherwise, if it is not viable and nobody sets it up, the purpose of giving licence would be defeated. Last year, we came out with a new policy. According to that, each unit which is new, if it performs according to certain parameters of crushing etc., would have a good chance of being viable with the incentives."

1.87 The Indian Sugar Manufacturers' Association commenting upon economic viability of Indian sugar industry informed the Committee during evidence that "Our average is 1700 T.C.D. In other countries, the plant is of 10,000 T.C.D. size".

1.88 Explaining the concept of viability position of Sugar Units, the Food Secretary informed that "14 per cent Units are above 2500 TCD. There are three separate categories. Even at 1250 TCD, a unit was a very viable unit. Now 2500 TCD unit is considered to be viable because the per unit production cost is lower. Units of lower TCD which were there in the past, are now being upgraded through expansions/modernisation schemes. There are other schemes also. So those are also covered as part of Sugar Development Fund scheme. Many kinds of schemes have come. It is true that about 14 per cent of the units are above 2500 TCD as on 31.1.94. This capacity at 2500 TCD was adopted only seven or eight years ago. Till that time 1250 TCD was expandable to 2500 tonne."

1.89 When asked the percentage of sugarmills running above viable limit, the Secretary (Food) informed during evidence that "The plant producing 2500 TCD is economically viable with our incentives. A plant producing below that is considered to be non-economical. There are 66% of it and the plants which are viable are 2500 and those above the economic level are 33.75."

1.90 On being asked about the economic criteria in other sugar producing nations, the Secretary (Food) stated "Our country alongwith south Asian countries is somehow unique in having a system whereby thousands of small farmers bring sugarcane to sugar mills. In most of the sugar producing countries, it is the mill which itself owns the sugarcane areas, therefore, our capacities are comparatively lower as compared to that in many of the sugar producing countries. But at the same time even within the existing capacities we can have viable capacities. We have got technical capabilities which are more or less equivalent to the best in the world. It is also correct that we need better utilisation of our by-products within our mills. It may not be possible for every mill to set it up, but it might be possible for combination of mills. Similarly, utilisation of molasses is also very important. It can be utilised in the mills. It is possible to set up distilleries in most plants but downstream products from Alcohol are not possible in every unit. It is useful to utilise bagasse. There is tremendous scope for utilisation of these by-products in our factories. Every by-product has to be used very carefully to have economic and financial viability".

1.91 In some of the States, the sugarcane produced does not commensurate with the licensed capacity of sugar mills. When asked what are the reasons for this mismatch, the representative stated : "The licensed and the installed capacity as on 30.11.1994 was 205 lakh tonnes and 117 lakh tonnes respectively. There was a gap of 88 lakh tonne. 49 new and 105 expansion units were then to come up. The licences issued during the Seventh Plan period were achieved and there were also some spill over cases. By 31 March, 1994, the target envisaged for the Eighth Plan was completed and thereafter no new licences were issued." Generally, there is a time lag of two to four years between the licence being issued and the unit being installed. As against that, the target of installed capacity during 1993-94 was 134 lakh tonnes but the actual achievement was 116.00 lakh tonnes. We are persuading the entrepreneurs to set up their units quickly. There is no constraint of money from the financial institutions and there is also no constraint of incentive policies. But the problem is with the people who hold the licences to put together their infrastructural support and complete the units."

1.92 He further stated : "The licensed capacity is based on the potential for cane. In some of the States, there are some mismatches between the licensed capacity and the cane actually available in that State. In the absence of a mill, there is no buyer for sugarcane. There is a period lag between harvesting of the cane in the field and crushing of the cane in the factory. During this period a lot of development work has to be done. Through the efforts of the new entrepreneurs, the cane has to be taken to the mill which are far away. This system, of course, has been successfully implemented by some of the mills. Still there are some mismatches. The main point is that, by and large, we should have enough cane and only then we should consider licensing the mill, otherwise the money invested might turn out to be less productive than that we wished it to be."

1.93 When asked what are the reasons for low utilisation of sugarcane, the representatives stated : "There were no sugar mills which could take it. Only some Khandsari mills were there. This is the only reason for this low off-take. So, we would like sugar mills to be there so that some rule is there to end this low drawal sugarcane."

1.94 The Ministry further informed that in case of Maharashtra the drawal rate during 1992-93 season was 90 whereas in respect of the remaining States, the drawal rate varied from State to State and year to year, the lowest being 28.7% in U.P. for 1992-93 season.

1.95 When Committee enquired about delay in executing sugar projects, the Secretary stated : "Normally, within a period of three years, the mills should be completed. There have been cases where some mills have been completed within a period of one-and-a-half years. There have been much longer delays.

1.96 When asked as to the grounds on which Letter of Intend/ Industrial Licence are refused, the representative of Ministry of Food stated "The main reason is lack of adequate quantity of cane." When pressed further why Central Government are rejecting applications even when States have recommended cases on the basis of assessment made by Cane Commissioners, in regard to availability of cane, he further stated : "Sometimes more than one application is received for an area. Prioritisation is then done and cases recommended on the basis of merit decided by State." Asked how prioritisation is done, the Secretary deposed : "There are States which recommend many applications received by them for various reasons. For example, there may be four-five applications from the same area and they do not want to take side with any applicant. When it comes to screening Committee, at that time, prioritisation is done. Out of five, if two are to be taken, these are done in consultation with the representative of the State Governments. In this process if recommended applications are larger in number, some of the recommendations are not accepted.

1.97 Licences for new sugar factories are issued subject to the condition that the distance between the proposed new sugar factory and an existing/already licensed sugar factory exceed 25 kilometers. This distance criterion of 25 Kms. could, however, be relaxed to 15 Kms. in special case where cane availability so justifies. Asked has any relaxation given under distance clause, the representative of the Ministry stated that "the distance criteria can be relaxed from 25 Kms. to 15 Kms. only in those districts where the drawal percentage was below 40%. After the issue of these guidelines on the 8th November, 1991, 6 letters of intent have been issued by under this relaxation clause. Their details are as under :—

"In six cases this criteria was relaxed. These are (i) Somaya Organic Ltd. Maharajganj (drawal rate 13.83%), (ii) M/s Associated Sugar Mills Ltd. Thoi, Haridwar (drawal rate 27.14%), (iii) Oswal Spinning & Weaving Mills Ltd., Nawabgunj, Bareilly (drawal rate 32%) (iv) Shri Sudhir Prakash, Tikola, Muzzaffarnagar (drawal rate 28.46%), (v) Shri S.N. Chaturvedi, Autrolli, Aligarh (drawal rate 20.02%), (vi) Shri V.S. Diwan, Agvanpur Muradabad (drawal rate 17.92%).

1.98 When Committee pointed out that licences are not being issued strictly on the basis of established rules/regulations and even some black-listed companies have been granted licences for setting up of new sugarmills. Even defaulting entrepreneurs have been issued licences. Clarifying the position, the Ministry in a note stated : "Letters of Intent/Industrial licences are granted by the Ministry of Industry on the recommendations made by the Ministry of food. Applications received from sugar factories for grant of letters of intent are scrutinised by the Screening Committee of the Ministry of Food. The Committee consists of experts from various fields, viz., Agriculture, Planning Commission, financial institutions, etc. Various aspect such as sectoral priority, cane availability position, distance criteria, financial status of the applicant proposing to set up the project industrial experience, defaults made in respect of carrying out any business to the extent information is available, etc. are also looked into. After scrutiny of the cases by the Screening Committee, the recommendations of the Ministry of Food are placed before the Licensing Committee (a Committee of the Ministry of Industry). This Committee further examines the cases seeing various aspects and only thereafter the Letters of Intent are granted to the applicant by the Ministry of Industry.

1.99 In a reply to Starred Question No. 22 answered in Lok Sabha on 1.8.95, it was informed that "As on 30.6.1995, 135 letters of Intent for establishment of new sugar factories and 163 letters of Intent for expansion in the existing Sugar units were pending implementation. The letters of intent are issued with a validity period of 3 years within which the entrepreneurs are required to comply with its within which the entrepreneurs are required to comply with its conditions. Out of 135 letters of intent pending for establishment of new sugar mills, 75 have been issued during the sugar season 1993-94, (October-September). The balance 60 which were issued prior to Sugar season 1993-94, (October-September). The balance 60 which were issued prior to Sugar season 1993-94, are at various stages of implementation. Similarly, out of 153 letters of intent pending implementation for expansions in the existing units, 34 letters of intent have been issued during 1993-94 onwards. The progress of these pending letters of intent is reviewed from time to time. During 1993-94, 11 letters of intent granted for establishment of new sugar factories and 6 letters of intent issued for expansion in the existing sugar factories were treated as lapsed, as their progress was not found to be satisfactory. During the Sugar Season 1994-95 till date, show cause notices have been issued to four sugar factories for non-compliance of the conditions of letters of intent."

1.100 When asked how many mills commenced production during last four years, the Food Secretary stated:—

"As many as 90 licences were issued and 33 mills commenced production".

1.101 When asked, if any monitoring is done on the progress of new units/expansion projects, the Food Secretary stated :—

"There should be provision of progress report from time to time. We should have a condition that within one year if he does not take effective steps, we shall be able to take some action. We should have a power to cancel the licence. We should in fact place the condition in the L.I. itself.".

D. Capacity Utilisation

1.102 The capacity utilisation of sugar industry during the last 5 years has been as under :

Year	Installed capacity in terms of annual sugar production (L.T.)	Sugar production (L.T)	Capacity utilisation
1989-90	93.413	109.89	117.64
1990-91	98.4802	120.47	122.33
1991-92	102.3941	134.11	130.97
1992-93	109.4092	106.09	96.97
1993-94	116.00	98.11	84.58

1.103 As many as 34 sugar factories consisting of 7 in the private sector, 20 in the Cooperative Sector and 7 in the Public Sector did not report production during the 1993-94 season. Their details are as under :—

NAME OF SUGAR FACTORIES WHICH DID NOT WORK DURING 1993-94 SUGAR SEASON (OCTOBER-SEPTEMBER)

Cronically Closed	Closed for Non-Availability of Cane	Due to Financial & Other Reason
1. Talaja (Gujrat) (Since 1986-87)	1. Khalilalabad (U.P.)	1. Girna (Maha.)
2. Dhoraji (Gujrat) (Since 1984-85)	2. Una (Gujrat)	2. Belapur (Maha.)
3. Changdeo (Maharashtra) (Since 1984-85)	3. Palaj (Gujrat)	3. Vairag (Maha.)
4. Pachrukhi (Bihar) (Since 1975-76)	4. Jijamata (Maha.)	4. Persoda (Maha.)
5. Chargola (Assam) (Since 1985-86)	5. Gajanan (do)	5. Paithan (Maha.)
6. Sivakami (A.P.) (Since 1970-71)	6. Dhamangaon (do)	6. Georai (Maha.)
7. Vanivilasa (Karnataka) (Since 1985-86)	7. Nandyal (A.P.)	7. Kada (Maha.)
8. Mannam (Kerala) (Since 1983-84)		8. Kasoda (Maha.)
9. Mailpatti (T. Nadu) (Since 1970-71)		9. Siwan (Bihar)
		10. New Savan (Bihar)
		11. Bitha (Bihar)
		12. Warisaliganj (Bihar)
		13. Guraru (Bihar)
		14. Rayagada (Orissa)
		15. Miryalogude (Andhra Pradesh)
		16. Palakol (Andhra Pradesh)
		17. Pompli (Karnataka)
		18. Munirabad (Karnataka)

1.104 When asked the reasons which led the Sugar units not to commence production the Secretary deposed : "The primary reason why a mill does become sick is the lack of cane. It is not only the old units which are becoming sick but also of the new units have become sick because they do not have cane. Of the 34 mills, the chronically closed units are nine units are closed on account of non-availability of cane and 18 are closed on account of financial and other reasons including non-availability of cane."

1.105 When further asked how mills were closed down due to lack of cane, when the availability of it is assessed at the time of issuance of LOI/IL, he stated : "At the time when the licenses were given, it is assumed that there would be cane. The cane does not grow on account of various factors including lack of cane development efforts by the factory and irrigation project which was anticipated to come, does not come up. This is the prime reason for becoming sick because even if cane comes latter on, it will not be of much help as the liability on account of interest, depreciation etc. is very high".

1.106 On being asked the number of sugarmills being considered by BIFR for revival package, the Food Secretary stated BIFR is considering 23 mills. Under sick industries Company Act, the networth becomes negative BIFR is compulsorily required to give report directly to the company. Cooperative units are not covered under BIFR and rest whether in Joint or Public Sector, BIFR is applicable to them. Proceedings are going on in 12 out of 23 mills referred to BIFR.

1.107 In a post-evidence reply, a cooperative sugar organisation informed the Committee that "there is no authorised operating agency to detect sickness in cooperative sector.

1.108 In regard to packages drawn to revive the sick sugarmills, the Committee was informed that it is the responsibility of the concern Sugar unit to draw rehabilitation/modernisation scheme and get them approved from Financial Institution. However, Government on its part have been announcing its sugar policy each year aimed at improving the economic viability of the sugar factories.

1.109 When asked whether the sugarmills is are able to recover the return on capital employed in the business, the Food Secretary stated :—

> "The mills which functions efficiently are able to meet adverse situation. If productivity is more than the average of the zone, then they will realise the benefit. It is true that the realisation that they are getting from the sale is below the break even point. But they should be able to make it up either through better

productivity or through higher prices later on. They are getting at the rate of about Rs. 1125 per quintal, excluding excise and other costs. The average realisation is lower than this. The break even price is the highest in South Bihar. There are hardly one or two factories which are very old but according to this calculation it is Rs. 1508".

E. Incentive Schemes

1.110 The Ministry of Food are operating incentive scheme only for augmenting country's sugar production but also to assist them to generate funds to repay the loans taken from Financial Institutions, and thereby improve their viability. The details of Schemes are as under :—

(a) Incentive Schemes for improving production

1.111 With a view to augmenting the country's sugar production, incentives for early, mid and late crushing periods have been given by the Government. Sugar production achieved during these periods is entitled to higher freesale entitlement as against the normal. Incentive granted during 1991-92, 1992-93, 1993-94 and 1994-95 seasons are as under :—

		1991-92	1992-93	1993-94	1994-95
(a)	Early crushing period. (Ist October to 15th November) (on entire production)	72%	—	72%	72%
(b)	Mid crushing period (Ist January to 30th April) (on incremental basis)	—	80%	80%	—
(c)	Late crushing period (Ist May to 31st July) (on entire production)	72%	72%	72%	75%
(d)	Ist August to 30 Sept. (on incremental production)	—	—	100%	75%

1.112 Grant of higher freesale quota for early, mid and late crushing periods as well as for the extreme late crushing period of 1.8.1994 to 30.9.1994 have been announced for 1993-94 season. Sugar mills producing sugar in the early crushing period (1.10.1993 to

15.11.1993) and the late crushing season (Ist May to 31st July, 1994) was entitled for 72% freesale release on the entire production. However, only the incremental sugar production during the mid crushing period and the period 1.8.1994 to 30.9.1994 was entitled to higher freesale.

1.113 The incentive schemes were formulated to compensate the loss suffered by the sugar mills due to low recovery obtained during early and late crushing periods. At present, the normal levy-freesale ratio is 40 : 60 for a nonincentive sugar factory (i.e. factories not covered under the incentive Scheme for new expansion projects) Against the normal freesale percentage of 60%, 72% of production during early and late crushing periods is allowed as freesale thereby providing additional 12% freesale to the sugar factories of the production to be achieved during the early crushing period, i.e., 1st October to 15th November and late crushing period, i.e., Ist May to 31st July. The early crushing incentives were given for the year 1991-92, 1993-94 and 1994-95 @ 72%. The late crushing incentives were given for the year 1991-92, 1992-93 and 1993-94 season @72% and for 1994-95 season at 75%.

1.114 When asked what is the justification for extending incentive scheme during mid-crushing season, when the maximum quantity of sugarcane is crushing during this period, the Ministry stated :

> "The mid crushing period, i.e. 1st January to 30th April is the prime crushing period during which the sugar factories are required to crush maximum quantity of cane to achieve a higher level of sugar production. However, to further maximise the sugar production, it was considered necessary that additional incentives may be given of the incremental production over the previous year to be achieved by them during this period. Accordingly, mid crushing incentives, i.e. for the production from 1st January to 30th April during 1993-94 season was provided in respect of he excess production to be achieved by the sugar factories over the production achieved during the corresponding period in 1992-93 season in the form of 80% freesale for such excess production, as against the normal 60%. The percentage of cane crushed and sugar generated during the early, mid and late crushing periods for the season 1993-94 are as under—

	% age of cane crushed	% age of sugar generated
Early crushing (Ist Oct.-15 Nov.)	5.1%	3.6%
Mid crushing (Ist Jan.-30th April)	56.6%	64.3%
Late crushing (Ist May-31st July)	2.5%	2.6%

(b) Incentive Schemes to improve viability position of sugarmills

1.115 To increase indigenous sugar production and to ensure adequate availability of sugar for internal consumption, the Central Government issued licences for establishing new sugar factories in the 5th Five Year Plan Period.

1.116 In the years preceding, 1975 there was steep rise in the cost of plant and machinery of sugar at which they were not proving economically viable. The Central Financial Institution (Industrial Finance Corporation of India, Industrial Development Bank of India, Industrial Credit and Investment Corporation of India) were, therefore, reluctant to finance term loans to the entrepreneurs of new sugar factories as well as the sugar factories effecting expansion in the existing capacity. The establishment of the projects, thus, received a serious set back which in turn, would have affected the targeted sugar production.

Government therefore, an incentive scheme both for new sugar factories as well as those undertaking expansion of capacity was formulated and announced it in on December, 1975. This scheme was issued for those entrepreneurs who were issued letters of intents/ industrial license during 5th Plan period.

1.117 Incentive under the scheme announced in 1975 was not in cash, but in the form of extra free sale quota of sugar diverted from levy quota. Two fold benefits were envisaged under the scheme were as follows :

(i) Price benefit : Through extra freesale quota over and above the normal entitlement (by diversion from the normal levy quota).

(ii) Excise duty benefit : Through concession of paying excise duty as applicable to levy sugar on the extra free sale incentive quota.

1.118 Due to decontrol of sugar with effect from 16.8.1978, the entire production became freesale sugar and the scheme became in-operative from that date upto December, 1979.

1.119 With the re-introduction of partial control from December, 1979, as was in vogue earlier, a revised scheme on the pattern similar to that of the December, 1975, was announced in November, 1980 taking into account the parameters prevailing at that time. This scheme was issued for those entrepreneurs who were issued letters of intent/ individual lease during the 6th plan period.

1.120 The incentive scheme provided for review from time to time if and when there was a need to do so with reference to changes in the parameters adopted, like project cost, sales realisation cost, cost of production of sugar etc.

1.121 Due to steep increase in the project cost as well as change in other parameters, an Inter-Ministerial group (Fourth Inter-Ministerial Group) was constituted in March, 1980 to revise the scheme at the persistent request of Industrial Finance Corporation of India, State Governments and the Industry. The group submitted its report in September 1986 and its various recommendations were examined after which a revised incentive scheme was announced on 4.11.1987. This scheme was issued of those entrepreneurs who were issued letters of intents/industrial license during the Sixth Plan period. Under the Seventh Five Year Plan, the economic capacity of new sugar factory has been fixed at 2500 TCD. An Inter-Ministerial Group was constituted to go into the question of incentives for factories licensed under the Seventh Plan. The Group submitted its report recommending incentives of new factories as well as expansion projects in the shape of higher freesale quota of sugar over and above the normal freesale quota.

1.122 After study of the Group's recommendation, a new scheme *viz.*, Incentive Scheme 1988 was communicated to all sugar factories vide circular dated 26/12/1988.

1.123 The Government announced on 8.11.91 new guidelines for licensing of new units an expansion of existing units for the year 199-92 and the Eighth Five Year Plan period.

In view of this the factories which are established or whose capacity were expanded in pursuance of letters of intent/license issued under the above licensing policy guidelines, have to be covered under a new Incentive Scheme. The 1988 Incentive Scheme was rescinded with effect form 7.9.90.

1.124 The Incentive Scheme, 1993 was announced by the Government of India to provide for incentives to projects licensed/to be licensed during the period 7.9.1990 to 31.3.1994. The salient features of the new scheme are detailed below :

(i) In the 1993 Incentive Scheme, the free sale entitlement of sugar including normal quota for new sugar units will be 100% for 8 years in high Recovery Area and 100 for 9 years and 66% in the 10th year for other Recovery Area.

    Free sale entitlement of sugar including normal quota and incentives for expansion projects shall be 100% for 5 years in High Recovery Area and 100% for 6 years in other recovery area. The quantum of incentives will be worked out with reference to the excess production achieved by the expansion projects.

(ii) The aforesaid revised incentive freesale quantum will be subject to an annual production ceiling of 46000 tonnes in High Recovery Area and 38000 tonnes in other Recovery Area.

(iii) Factories which have been issued either letter of intent or Industrial License, where licenses is issued in the first instance, or re-endorsement is made in the license under Press Note No., 15 dated 27.5.86 during the period 1.10.85 to 6.9.1990, and such factories which go into production on or after 7.9.90, subject to fulfilling the conditions of this scheme, shall have the option to avail of incentives of the earlier 7th Plan Scheme or the incentives in the new scheme.

(iv) The Sugar factories, which have shifted to new location retaining their initial capacity would be considered for grant of incentives on the basis of the recommendations of a Committee to be constituted of representatives of Ministry of Food, the Directorate of Sugar, NFCSF and NCDC.

1.125 Amendment made in the 1993 scheme vide letter dt. 3.1.94 and 28.3.94. The salient features of the amendments made in 1993 scheme are as under :

(a) The following categories of factories will be treated as restructured factories under the scheme :

(i) Sugar factories having capacities ranging from 1250 TCD to 2500 TCD which expand their capacities to a level of 2500 TCD subject to the conditions that they had not carried out any expansion of capacity after 1.10.1974.

(ii) Sick sugar factories for whom rehabilitation packages have been approved by BIFR with a capacity upto 1500 TCD which expand their capacities to a level of 2500 TCD irrespective of their having undertaken any earlier expansion/modernisation, subject to their meeting other requisite yardsticks as per the scheme.

(b) Factories licensed during 7th Plan period or re-endorsed capacity in the licence under Press note 15 dated 27.5.86 during the period from 1.10.85 to 6.9.90, but going into production on or after 7.9.90, subject to conditions of this scheme, shall have the option to avail of incentives of the earlier Seventh Plan Scheme or the incentive of the new 1993 Scheme.

(c) In order to become eligible for incentives under this scheme the date of commencement of production for the first time in respect of new factories and the date of commencement of production at the expanded capacity in respect of expansion projects shall be within a period of 24 (Twenty four) months from the date of first disbursement of loan by any of the participating financial institutions such as IFCI, IDBI, ICICI, IRBI, etc. or the date of issue of SDF Sanction, whichever is later.

1.126 So far 178 claims from new, 142 from expansion projects and 23 from restructured units have been received. Of these 154 claims in respect of new, 107 in respect of expansion and 14 in respect of restructure units have been finalized. Other are in various stages of finalisation/scrutiny.

1.127 The Incentive Scheme also provides that the beneficiaries of the Incentive Scheme shall ensure that the surplus funds generated through sale of incentive sugar are utilised for the repayment of term loans, if any, outstanding from the Central Financial Institutions/ Sugar Development Fund. The sugar factories shall submit utilisation certificate annually from a chartered/Cost Accountant holding certificate of practice, Utilisation certificate in respect of each sugar season during he incentive period shall be furnished as per proforma prescribed on or before 31st December of the succeeding year. Failure to submit utilisation certificate within the stipulated time may result not only in the termination of release of incentive free sale quota but also in the recovery of the incentive free sale already made by resorting to adjustment from the free sale releases of future years.

1.128 Explaining the details of different incentive schemes for high recovery areas and other recovery areas, for setting up of new sugar mills, the Ministry in a note submitted that For the purpose of Incentive Scheme the country has been classified into two recovery areas—High Recovery Area and Other Recovery Area, based on the analysis of recovery of sugar for the five year period ending 1989-90. "High Recovery Area" shall mean sugar production zones with an average recovery of 10% and above. "Other Recovery Area" shall mean sugar producing zones with an average recovery below 10%. The zones falling under these two areas are as follows :

(a) High Recovery Area :	South Gujarat, Maharashtra and Karnataka. Note : South Gujarat comprise of the districts of Surat, Valsad, Dangha and Bharuch in Gujarat State.
(b) Other Recovery Area :	Areas other than those specified at 'a' above.

1.129 In the 1993 Incentive Scheme, the free-sale entitlement of sugar, including normal quota, for new sugar units is 100% for 8 years in High Recovery Area and 100% for 9 years and 66% in the 10th Year for Other Recovery Area.

1.130 The incentive freesale quantum shall be subject to an annual production ceiling of 46,000 in High Recovery Area and 38,000 tonnes in Other Recovery Area.

1.131 When asked whether concessions like excise rebate, tax holiday and no industry areas are extended for setting up of new sugar mills, expansion projects and how far incentive schemes have been able to attract new investment, the Ministry informed that "In the earlier incentive schemes, excise duty concession was available to new sugar factories and expansion projects in addition to the increased quantum of freesale quota. However, this excise duty concession was withdrawn from the incentive scheme applicable to projects licensed during the 7th Plan Period and thereafter the Incentive Scheme for the plan period and thereafter provide sufficient incentives in the form of higher Freesale quota to enable them to become viable to utilising surplus funds generated through higher freesale quota for repayment of term loans advanced by the central financial institutions/Sugar Development Fund.

1.132 At present, no excise rebate, tax holiday etc. specific to the sugar industry is being extended. However, deductions in respect of profit and gains from industrial undertakings etc. in certain cases, as provided in the Income Tax Act, are applicable to the sugar industry also as per Rules.

1.133 In certain cases, financial institutions have been insisting deferment of purchases tax by the State Government for financing new/expansion projects. Such cases are taken up on case by case basis with the State Governments for providing necessary relief.

1.134 In regard to effectiveness of incentive schemes, it was informed that incentive scheme is in operation since 1975, except for a brief period of de-control, i.e. from 16th August, 1978 to 17th December, 1979. The installed capacity in 1973-74 and thereafter is given in the following table :

		1973-74	1984-85	1989-90	1993-94 as on 30.6.94
1.	Number of working sugar factories	229	329	378	394
2.	Installed capacity (in lakh tonnes)	34.1	72.985	93.41	115.45

1.135 From the above table, it would be observed that the incentive schemes have helped, to a large extent, in the creation of additional capacity in the country. The financing of new units had been temporarily suspended by the Central financial institutions on the grounds that the incentives provided by the 1988 Scheme do not meet the Debt Service Coverage Ratio prescribed by the financial institutions. Accordingly, the 1988 Scheme was further revised and a new scheme in the form of 1993 scheme was announced in March, 1993 with improved Debt Service Coverage Ratio and thereafter only the financing of the new projects, particularly in the sector of cooperatives, was resumed by the financial institutions. It would thus be observed that had there not been any incentive scheme, many new sugar factories would not have come up in the absence of financial support from the financial institutions.

1.136 Commenting upon incentive scheme, an apex sugar organisation informed the Committee during evidence that "present policy in highly supportive to the establishment of new units. This is true only in the case of sugar factories in the country but no wherelse. This (incentive) scheme was formulated in consultation with the F.Is. who were insisting on debt service coverage ratio of 1:1.5. The current economics is that if you invest one rupee in a new sugar factory you get back three rupees in return. The scheme is highly liberal in favour of new sugar factory. In fact, it is so liberal, it may induce the existing sugar factory owners to close their units to start a new sugar factory. The levy requirement is 43 lakhs. The sugar produced by sugar mills covered under incentive schemes are entitled to sell them whole produce as free sale sugar. New sugar factories have been given much more than what is required. Our consistent view has been that there seems to be little justification in continuing with this scheme. There is no encouragement for expansion. India has become a home for large number of small sugar factories. The standard capacity is 2500 T.C.D. But an average capacity is 1914 TCD which is obviously very low. There are only 2 or 3 factories out of 429 which are of higher capacity. Today, the international standard is 10,000 T.C.D. As a result, the cost structure of new sugarmills is very high and thus the need for incentives.

1.137 When asked whether expansion programme will not be jeopardised, if incentive scheme are withdrawn or freezed, the representative further opined :—

> "Right now, we are getting only 40%. It has been planned that we should get 50% of the cane. The 10% potential is already there. We will increase the capacity, if the conditions are such. There would be enough sugarcane for an expanded factory. In a

decontrolled economy, we can do that because we will also help in development of cane in that area. It is also expected that the cane yield will come up substantially once decontrol is introduced.".

1.138 The incentive schemes have been structured in such a way that it looks liberal so much so that entrepreneurs have been induced to go in for new projects rather than expansion, modernisation of existing project. When asked to explain the representative of the Ministry of Food during evidence clarified "We do not share this perception that the incentives schemes are too liberal. The reason is that in the last 3 years financing of sugar industry was very poor and the primary reason was that the banks felt that sugar mills, as they are, are not violable and they have a certain norm of financing. We had to revise the incentive scheme to meet those norms. This scheme was prepared in consultation with the financial institutions to meet their requirements. I suggest that this is not a favour to an entrepreneurs because with our dual system of sugar control. The present investment at Rs. 40 crores is not viable. But this becomes viable with the incentive scheme which we have worked out with the financial institutions. So, the choice was not there. Second option which we adopted was to have an incentive scheme so as to see that they become viable so that industries grows in the country. It is this rationale for this incentive schemes, that details were worked out in consultation with the financial institutions. And the result is very apparent."

1.139 When asked why incentives were granted when there was no buffer stock and sugar on levy account dwindled considerably he further stated "But for this, we would have no fresh investment in sugar industry today. Therefore to say that incentives were too liberal is not correct."

1.140 There is differential scale of incentives for new and expansion project. When asked to clarify, the Food Secretary informed "Expansion is at a lower cost. Because the cost is lower for expansion, therefore, the incentives are somewhat lower".

G. Sugar Development Fund

1.141 The Sugar Development Fund set up under the Sugar Development Fund Act, 1982 is funded by transfer of proceeds of Sugar cess levied (Rs. 14 per quintal at present) and collected under Sugar Cess Act, 1982 on sugar produced in the country. The Sugar Development Fund Act, 1982, provides that an amount equivalent to the proceeds of the duty of excise levied and collected under the Sugar Cess Act, 1982, reduced by the cost of collection as determined by the Central Government, together with any money received by the Central Government for the purposes of this Act, shall after due appropriation made by Parliament by law be credited to the Fund. During the period from 1982-83 to 1994-95 (upto February, 1995), a cess amount of Rs. 1593.55 crores has been collected. During the same period, an amount of Rs. 1526.00 crores has been transferred to the Sugar Development Fund.

Objectives of S.D.F.

1.142 The purposes for which funds from SDF Act, are to be utilised are as under :

(a) Loan for facilitating the rehabilitation and modernisation of any sugar factory;

(b) Loans for the undertaking any scheme for development of sugarcane in the area in which any sugar factory is situated ;

(c) Grants for the purpose of any research project aimed at development of sugar industry;

(d) Defraying any other expenditure in regard to fulfilment of objectives of Act;

(e) Defraying expenditure for the purpose of building up and maintenance of buffer stock of sugar with a view to stabilising price of sugar.

Loan for Modernisation and Rehabilitation

1.143 The operation of sugarmills at below economic level has been the bane of Indian sugar industry. The modernisation, rehabilitation and expansion of sick units of such units mostly located in Uttar Pradesh and Bihar has posed a serious problem. While reasons for sickness vary, old and small sized sugar factories are the most affected ones. These mills have become less efficient due to variety of reasons, such as non-availability of sugarcane, uneconomic size of the plant, ageing plant and machinery, inadequate finance, poor management, labour problems etc. To revive sick sugar mills, loan is provided form SDF. Any sugar undertaking, approved by a financial institution for assistance under its relevant scheme is entitled to draw funds for modernisation and rehabilitation. The recognised Financial Institutions are (i) Industrial Finance Corporation of India, (2) The Industrial Development Bank of India, (3) The Industrial Credit and Investment Corporation of India Limited, (4) Industrial Reconstruction Bank of India, (5) the National Cooperative Development Corporation, (6) The Life Insurance Corporation of India, and any other financial institution as may be specified under sub-section (2) of section 9(A) of the Companies Act, 1956 (1 of 1956).

Pattern for Assistance

1.144 Loan is provided from the S.D.F. where under Financial Institution meets 50% of the total project cost. 40% of the total project cost in case of non-MRTP companies and 35% in case of MRTP companies is shared by SDF authorities and 10% of the total project cost in case of non-MRTP companies and 15% in case of MRTP companies is contributed by promoters.

Procedure for Disbursement

1.145 Loan is disbursed in two equal instalments. Second instalment of loan is disbursed only on submission of utilisation/progress report duly certified by the Chartered Accountants and forwarded by the concerned financial institution.

Interest and Repayment

1.146 Loan carries a modest rate of 9% simple interest per annum. Loan is repayable in a maximum period of 13 years including a period of moratorium of eight years. In case of default in repayment of loan/interest, an additional interest $21^{1}/_{2}$% p.a. on the amount of default is levied.

Sanctions and Disbursement

1.147 As on 31.3.95, 143 out of 423 sugar mills opted for soft loan. They were sanctioned Rs. 469.73 crores during the period from 1985-86 to 1994-95.

1.148 When asked what are the reasons for not all sugarmills showing enthusiasm to go in for modernisation/expansion/rehabilitation package and potential number of mills which require such a treatment the representative of Ministry of Food during evidence stated :

> "143 mills came to us. Other cases which require similar modernisation have not come to us of the 138 mills which came for soft loan for a capacity of 2500 TCD, we have given soft loan for a capacity upto 2500 TCD only. And capacity beyond that have been treated as expansion cases. The balance of 286 mills which have not gone for capacity of 2500, TCD should also come for SDF loan for expansion. They should come because it is to their advantage. A number of license for expansion are pending in U.P. due to shortage of funds. The State has to bring this money.

Loan for Cane Development

1.149 The main purpose of this scheme is to make adequate cane available to the sugarmills so that production of sugar increases. Hence, loan is advanced from SDF to the sugarmills for the development of sugarcane mainly for the following scheme :

(i) Setting-up of moist hot air seed treatment plant in sugar factories;

(ii) Rearing of cane seed nurseries;

(iii) Incentives to cultivators to switch over to improved varieties of sugarcane;

(iv) small and minor irrigation projects, like digging of wells, deepening of existing wells, construction of Kolhapur Type Weir (k.t. Weirs) and River Lift Irrigation (RLI) Schemes;

(v) any other scheme or project as approved by Central Govt.

1.150 The State of U.P. have included schemes like soil testing, computerization, wireless communication and provision of transport like motorcycle and jeep to staff.

Pattern of Assistance

1.151 Loan is disbursed only through the State Government in which the sugar factory is located. The sugar undertaking is required to execute a tripartite agreement on such terms and conditions as decided by Central Government in consultation with the State Government. Monitoring by the State Government of utilisation of the loan, the progress of scheme for which the loan is advanced, repayment of the loan with interest and remittance to the credit of the fund, are also included in the agreement. The S.D.F. authorities meet 90% of the total cost of the scheme and rest is shared by sugarmill.

Procedure for Disbursement

1.152 The loan is disbursed normally in three annual instalments. Second and subsequent instalments of loans are disbursed on receipt of utilization certificate/progress report from the concerned State Government who acts as the monitoring agent for these schemes.

Interest and Repayment

1.153 The loan carries simple interest at the rate of 9% per annuam. Repayment of loan is to be made within 7 years, including a period of moratorium of three year. In case of default of loan/

interest a panel interest $2^{1}/_{2}$ p.a. is charged. During the period from 1986-87 to 1994-95 (upto 31.3.1995) 333 Sugar undertakings have been sanctioned Rs. 438.60 crores and have been disbursed Rs. 266.33 crores.

1.154 Explaining *modus-operandi* of the scheme, the representative during evidence informed the Committee that "the schemes under SDF are prepared by units and secrutinised are recommended by the respective State Governments." The State Governments after considering a particular scheme, which is relevant to their area send it to the Central Government for approval. They recommended the scheme and after that Centre sanction the loan. The first instalment of loan is sanctioned straight away. The verification in regard to proper utilisation of money by the Sugar Mills is done by the agencies of the State Governments. Subsequently, the second and third instalments are released. When the full amount has been released in due course, the State Government submits to Centre a report which is called the "Impact Report" stating the impact of the scheme in the area in which the money was spent by the sugar mills.

1.155 The representative of Government of U.P. informed the Committee during tour that in his State the developmental work is reviewed by the Cane Development Department from time to time.

1.156 There was slump in sugar mills taking advantage of cane development scheme as only 21 mills opted for the scheme in 1991-92 when compared to 82 mills in 1989-90. When asked to explain, the Secretary clarified: "In fact it is coming down because the total has gone to 333. The total number of mills which have taken advantage is 333. The year-wise figure of the mills which have taken advantage of this scheme is available from 1986-87 onwards. There is a small rider. Some of these mills might have taken loan for the Second time. In the scheme of things, we wanted to make sure that our money comes back. Therefore, we insisted on the guarantee from the State Government in respect of cooperatives and public sector, and bank guarantee in respect of private sector from banks. We need to see what difficulties the unit is facing in giving bank guarantee. They give bank guarantee for a number of purposes. Quite often, they give guarantee to fulfil the obligation of the third party."

1.157 Supplementing, further, the Ministry in a post-evidence note informed the Committee that "in order to secure the loans sanctioned from SDF, for cane development, State Government guarantee/Bank guarantee is an essentiality. Similarly, in the case of loans for modernisation, creation of second charge in favour of the Central

Government/submission of the State Government guarantee is necessary. This procedure has been decided in consultation with Finance."

1.158 Normally, no major problem is faced by the mills in fulfilling the requirements in the case of obtaining State Government guarantees and creation of second charge. However, the mills find difficulties in obtaining bank guarantees. The matter was taken up with the Ministry of Finance, who have opined that:

(a) The requirement of bank guarantees to be furnished by private mills for availing loans for sugarcane development does not appear to have inhibited private sugar mills to any great extent. 58 private sugar mills have availed of loans of over Rs. 96 crores which is about 25% of the total amount sanctioned under this scheme.

(b) To allow private sector mills to avail of the sugarcane development loans with a charge on their assets would create an anomalous situation *viz-a-viz* the cooperative and public sector mills which have to secure State Government guarantees which usually involves a payment of guarantee fees. In fact, therefore, SDF may become more concessional for private mills rather than for cooperative/public sector mills.

(c) Extending the facility of availing loans for sugarcane development by offering assets as security may result in inadequate security for the SDF itself and worsen overdue situation. The total over dues of the SDF have been stated to be Rs. 33.72 crore (almost 4% of total sanctions) whereas the arrears on sugarcane development loans to private sector mills are only Rs. 1.40 crore (less than 1.5% of total sanctions). Clearly, insistence on bank guarantees has resulted in a better recovery position in the latter.

(d) It should be possible for private sector sugar mills to rise bank guarantees by offering unmortgaged assets as security rather than the SDF accepting such unmortgaged assets directly as security.

1.159 When asked how cane development can further be improved, the Food Secretary deposed:

"What we want to really do is to give an incentive on usage of certain inputs which will give a higher production. Most people use nitrogen and do not use potash and other fertilizers. Similar is the treatment regarding seeds. This includes pre-sowing treatment of seeds with insecticides. The question of utilisation of ground water, boring of tube wells for increasing irrigation capacity is also there".

Grants for Research in Sugar Industry

1.160 The Central Government sanctions grants-in-aid to established institutions, for carrying out research aimed at promotion and development of any aspect of sugar industry. Only such research schemes as recommended by the Standing Research Advisory Committee of the Development Council for Sugar Industry are eligible to draw funds. As on 31.3.1995, for the period from 1988-89 to 1994-95, a total amount of Rs. 30.20 crores has been sanctioned to 4 organisations/institutions (for 7 schemes) for undertaking R & D work in various aspects of sugar industry. An amount of Rs. 14.01 crores has been disbursed to these organisations/institutions during the same period.

1.161 When asked during evidence the criteria/guidelines issued to select institute to carry research, the Secretary informed that "The Standing Committee constituted under the SDF Act has adopted the following criteria for selecting institutions:

(i) An institution/scientific research association/in house Research and Development unit of the industry recognised by the Department of Scientific and Industrial Research under its registration scheme or approved by it under Section 35 (i), (ii) or 35 (i) (iii) of Income Tax Act, 1961 and ICAR.

(ii) Laboratories set up by sugar mills for the purpose of soil testing and bio-chemical labs for which schemes have been scrutinised by the concerned Agriculture Universities of the area.

1.162 When asked what are the responsibilities and arrangements made by sugar mills in the field of R & D the Secretary stated: "R & D is something which is expected to be done by the most specialised body. Each mill tries to improve its performance. R & D is a very specialised function. The 'Technology Mission' will be asked to take up schemes which will be part of it; but, this cannot be really classified in the sense of regional research development work. Some mills have their own processes to improve them. Basic research is not done by sugar mills because they do not have the capacity to do that. But applied research is going on in some of the mills and they have improved their performance."

1.163 The organisations and salient features of projects to whom grant-in-aid was sanctioned are:

(a) Indian Council of Agricultural research—Rs. 22.78 crores for implementation of a project of "Adaptive Research on sugarcane" for a period of 5 years commencing from 1.10.1989 with the following objectives:

(i) Production of breeder, foundation and certified seeds of sugarcane, leading to continuous supply of adequate quantities of genetically pure and healthy seed to the farmers;

(ii) Improved Management of ratoon crops for better yields in Uttar Pradesh, Bihar and Haryana; and

(iii) Management of sugarcane crops under water logged conditions in Eastern Uttar Pradesh and Bihar.

(b) Research Scheme of S.B.I., Coimbatore, entitled "Identification of resistant Genes for Abiotic Stresses from Saccharum Germ Plasm Through Molecular Technique and their utilisation for evolving Sugarcane Varieties suitable for sub-optimal conditions" (Rs. 223.19 lakh);

(c) Research scheme of N.S.I., Kanpur on "Development of process of manufacture of Oxalic Acid from Final Molasses Obtained in Sugar Factory" (Rs. 113.06 lakh); and

(d) Research Scheme of N.S.I., Kanpur entitled "Production of Animal feed by solid-State Fermentation of Bagasse" (Rs. 39.57 lakh).

1.164 Explaining the progress of various schemes under SDF, the Committee was informed that so far Rs. 938.53 crores have been sanctioned out of which about Rs. 438.68 crores have been sanctioned for cane development schemes and Rs. 469.73 crores for modernisation while about Rs. 30.20 crores have been sanctioned for research projects. A review of the All India Statistics show that productivity of sugarcane has been steadily increasing. In 1983-84 the yield was 56.0 tonnes per hectare while in 1992-93 it stood at almost 63.8 tonnes per hectare. Similarly, sugarcane production has also increased from 174.1 million tonnes in 1983-84 to 228.03 million tonnes in 1992-93. Accordingly, sugar production has also increased to 106.09 lakh tonnes in 1992-93 from 82.32 lakh tonnes in 1982-83. Sugar recovery also has increased from 9.96% in 1982-83 to 10.29% in 1992-93.

Although it will be difficult to quantify how much is directly attributable to the financial assistance extended from the S.D.F., but it can be presumed that SDF loaning has generally provided the needed impetus to the unit/area availing of the financial assistance.

Supplementing further, the representative deposed:

"In the last 4-7 years, a survey was Commissioned to assess the impact of Sugar Development Fund (SDF) scheme. The general impression was that this (SDF) serve a useful purpose. Basically, if the mill management is enlightened, they definitely have a role to play because it is in their interest to see that they get more gain. That is by and large, being achieved by giving loan from SDF".

1.165 However, various procedural formalities and the mounting incidence of overdues have acted as an impediment in the implementation of the scheme.

1.166 Taking note of rejection of large number of applications for various SDF scheme, when the Committee enquired about the reasons, for this impasse, the Ministry in a post-evidence note clarified that some of the reasons attributed are:

"(1) Incomplete documentation.

(2) Financial non-viability of the units.

(3) Schemes pertaining to cane development not approved due to technical reasons.

(4) Applications not duly recommended by the State Governments/ Financial Institutions.

(5) Non-receipt of Impact Reports for the Scheme for which loans were sanctioned earlier.

(6) Poor recovery position of old dues especially in the case of State guaranteed loans".

1.167 As on 15.3.1995, there were 126 cases of cane development loans where the mills have not availed the second and third instalments of loan. The main reasons for not availing the second and third instalments of cane development loan are as under:—

1. Non-receipt of utilisation certificate in respect of the earlier instalment through the State Governments alongwith their specific recommendations;

2. Non-achievement of physical and financial targets in respect of the instalment availed of by the mill; and

3. Outstanding LSPEF/SDF dues against the concerned sugar undertakings.

1.168 Funding from S.D.F. has now been rationalized in recent years. Some examples are:

1. In order to give an impetus to modernisation and to demonstrate the cost effectiveness of new technology to other sugar units, the funding pattern for the 30 units covered by the Sugar Technology Mission has been made very attractive.
2. To ensure that the benefit of financial assistance on soft terms is spread out to more sugar units, a uniform ceiling of Rs. 3.0 crore has been imposed for cane development schemes of each sugar undertaking.
3. To create permanent infrastructure for water conservation, the funding pattern for KT Weirs and River Lift irrigation schemes has been liberalised.
4. Extension by four years of validity period of sanctioned but undisbursed, loans is generally allowed.

1.169 When asked how progress under SDF schemes have been monitored, the Food Secretary informed that "States assess the achievements and send utilisation certificate thereof". When pointed out that in some cases even States are not serious in implementation of scheme and they only call for information from mills. The Secretary, while admitting the flaws in the Scheme, suggested that "We should try for the Audit Certificate to know whether the money has been used for the required purpose or not. For this a certificate will have to be there. We will definitely examine it as to how we can effectively introduce it. We will also have to trust somebody because we cannot go to every unit."

1.170 When asked whether the Government are aware of mis-utilisation of Funds meant for SDF, the representative stated "the real benefit sometimes does not go to whom it should have been gone to. We are very much concerned if such a thing happens anywhere. If funds are misused then it is not only a breach of faith with us but also a breach of faith of Ministry of Food stated with the farmers".

1.171 When asked about the dues outstanding against sugar mills for the last 3 years on account of loan obtained from SDF, a representative of Ministry stated:

"At present amount of default is Rs. 40.15 crores and recovery rate is 43.6%. In the year 1993-94, default amount was Rs. 35.85

crores and recovery 56.9% In 1992-93, default was 29.79 crores and recovery 54.4%. When Committee pointed out what steps Government take to recover the dues it was informed that concerned sugar mills are reminded. The position is also reviewed in the meeting of S.D.F. Standing Committee. Moreover, it has been further decided that no fresh applications of those States will be entertained where these guarantees are required but their recoveries towards repayment of sugar development fund loans for cane development are less them 75%."

1.172 When asked whether Government propose to fund other activities connected with the development of sugar industry, the Secretary (Food) deposed:

"We are including co-generation under the Scheme, SDF will also finance National Institute of Sugar and Sugarcane Technology".

H. Estimates of Sugar Production

1.173 The forecasting of accurate production estimates is the key inputs in managing the sugar economy. These are formulated, on year to year basis keeping in view the inputs received from the sugar factories, estimates given by the apex bodies of the sugar industry, namely, National Federation of Cooperative Sugar Factories Ltd., and Indian Sugar Mills Association, estimates of State Government, estimated area and sugarcane production formulated by the Ministry of Agriculture and the actual production trends during the season. When Committee pointed out that on whom more reliance is the representative clarified "Reliance is more on state Governments assessment than on the industry". When asked to comment about consumption pattern of other sweetening agents while forecasting production, he further stated: "This is not figuring very scientifically in our calculation because the demand and price for other sweeteners can be changing very much. We cannot make an advance judgement of how much the percentage would be fixed".

1.174 The initial estimates and the actual sugar production for 1992-93, 1993-94 and 1994-95 seasons are as under:

Sugar Season (Oct.-Sep.)	Initial Estimates (Lakh tonnes)	Actual Production (Lakh tonnes)
1992-93	120.00	106.09
1993-94	107.00	98.12 (Provisional)
1994-95	118.00	142.27 (upto 15.7.95)

1.175 When Committee pointed out as how the initial estimates and actual production went heywire during 1993-94, the Ministry in a written reply stated: "In the year 1993-94, there was a steep decline in the production of sugar leading to rise in its price. Consequently, the sugar was imported. When asked what was original estimate *vis-a-vis* actual production of sugarcane and sugar during 1993-94 and when it was first realised that there would be drop in production and shortage of sugar, the Ministry informed the Committee that there had been variation in the estimation of sugarcane production by the Ministry of Agriculture. The original estimate of sugarcane production furnished by them on 15.2.94 was 231.0 million tonnes, which was revised to 239.86 million tonnes on 28th April, 1994. It was further revised to 233.04 million tonnes on 18th June, 1994. In respect of sugar production, all the sugar factories were requested to furnish their estimated production for 1993-94 season. Based on their information the estimated sugar production was pegged at 114.50 lakh tonnes. However, in September 1993, the States UTs administration indicated estimated sugar production to the tune of 106.542 lakh tonnes. On the other hand, the two apex bodies of the sugar industry *viz*., ISMA and National Federation, estimated higher level of production. The Sugar production in the early part of the 1993-94 sugar season was showing an increasing trend. The total production upto 31st Dec. 1993 was 29.71 lakh tonnes as compared to 28.25 lakh tonnes on the corresponding date last season. The Ministry/Directorate of Sugar made an assessment directly from sugar factories in Dec. 93/Jan. 94. On the basis on their Reports, the estimated figure of sugar production was 115—140 lakh tonnes on 17.1.94. State Secretaries dealing with sugar projected production at the level of 104 lakh tonnes. In March, 1994, in view of the continued diversion of cane to the gur and khandsari sectors, the estimate was further revised to 96 lakh tonnes. Finally, the actual sugar production turn out to be of the order of 98 lakh tonnes."

1.176 When asked what action plan was conceived in view of shortage of sugar and with what results, it was informed that when it became clearly evident in the month of January, 1994 that the total sugar production would not be commensurate with the actual requirement action was initiated in the following directions:—

(i) Seeking approval of the Cabinet Committee on Prices for import of sugar.

(ii) Restricting consumption/regulating releases of indigenous sugar keeping in view the availability of imported sugar.

In regard to (i) above, Government decided to place import of sugar under Open General Licence without any duty of customs or additional duty of customs. Restrictions in regard to turn over period of stock and stock holding limits had also not been imposed on sugar so imported on private account. Further, it was also decided to import about 10 lakh tonnes of sugar on Government account for meeting the requirements of the Public Distribution System.

To further facilitate the movement of imported sugar, the Ministry of Food has coordinated with the Ministry of Surface Transport and Railway Board to ensure priority berthing for ships carrying imported sugar and immediate rail movement in covered wagons from ports to the consuming destinations.

1.177 To monitor the import of sugar under OGL, a Committee was constituted, which met regularly to review the progress and to resolve the difficulties which were brought to its notice by various importers.

1.178 In regard to (ii) above, *ad hoc* additional allocation of 5% in the levy sugar allocations of all States/UTs was discontinued from the month of April, 1994. The free sale sugar release has also been regulated judiciously.

1.179 As a result of the aforesaid measures the availability of sugar, both in the open market and in the PDS, was adequately maintained and the sugar prices also remained at reasonable levels, except during he months of May, June 1994 when prices ruled at a higher level due to less than the anticipated arrival of imported sugar in the market.

1.180 Asked about the choice of agency which were to import sugar, the Committee was informed that it was decided that STC, MMTC would be entrusted to undertake imports on a commercial basis under OGL, so that such imported supplies of sugar could be used whenever found necessary to augment PDS supplies or to influence open market prices by market intervention. However, a review in the middle of May, 1994 by when STC had not contracted for any import of sugar and keeping the interests of PDS supplies in view, it was felt that FCI's entry into the import market, as an additional public agency, without diluting the targets and responsibilities of STC and MMTC, may be helpful. A global tender enquiry was floated by FCI on May 16, 1994. The matter was reconsidered on May 19, 1994 when it came to notice that STC would enter into contracting and that STC/MMTC had plans for early purchase of sugar on a substantial scale. To avoid multiplicity of public agencies bidding in the international market, FCI's tender was cancelled on 19.5.1994.

1.181 Under the policy of import of sugar under OGL, both STC and MMTC were also eligible to undertake import of sugar on commercial basis. Accordingly, in April itself, the Ministry of Commerce was directed to advise STC/MMTC to take immediate action for import of sugar on a commercial basis. However, Ministry of Commerce insisted on a commitment that losses on this account will be fully reimbursed by the Government. Finally, it was decided on 3rd May, 1994 that STC/MMTC should import sugar which would become available to Government in case of need for distribution through the Public Distribution System and it was also clarified that the difference between the import price and the issue price can be considered for reimbursement to these organisations. MMTC had already taken action to import some quantity of sugar in April, early May, but after the aforesaid decision, STC also started making contracts for import of sugar. Both STC and MMTC together have contracted for about 10 lakh tonnes of sugar.

1.182. When asked as to what is the normal time lag between signing of contract/agreement and arrival of commodity at ports and how much it took in the case of STC, MMTC and private parties, the Ministry in a written reply informed that for import of sugar, it was specified in the contract itself the time schedule for delivery of sugar. The different rates were charged depending on the delivery schedule. Normally, after berthing it takes about 15 days for the loading of a standard sized ship and about 25–40 days for the journey time depending upon the distance involved. As regards imports by STC/MMTC, the original schedule of arrivals as per contracts executed by them, was as follows:

(in lakh tonnes)

	STC	MMTC	Total
June/July 1994	0.70	0.70	1.40
August, 1994	1.10	1.06	2.16
September, 1994	1.77	1.95	3.72
October, 1994	0.89	1.22	2.11
November, 1994	0.52	0.13	0.65
	4.98	5.06	10.04

1.183 When asked whether the private parties were under any obligation to supply sugar to Government for PDS, it was informed that the private parties who had imported sugar under OGL were not under any obligation to supply sugar to the Government for PDS. The public sector undertakings *viz.*, STC/MMTC imported sugar for meeting the requirements of the Public Distribution System. The distribution of sugar was done through F.C.I. in addition to this, sugar industry was asked to the conversion of 2.5 lakh tonnes of free-sale sugar into levy as loan on replenishment basis for distribution to consumers through PDS.

I. Production Cost of Sugar

1.184 The cost of production of sugar is determined zone-wise by the Government for the purpose of fixing the ex-factory price of levy sugar and for determining the issue price of sugar for the Public Distribution system (PDS). In determining the cost of production, the following factors are taken into account:

I. Cane Cost :

(a) The Minimum Statutory Price (SMP) is fixed by the Government under clause 3 of the Sugarcane (Control) Order 1966. With reference to the SMP, the zone-wise weighted average minimum cane price is determined.

(b) **Tax or duty if any paid or payable**: Purchase tax, cess, etc. levied by the State Governments on sugarcane are taken into account.

(c) **Driage** : Allowance is given for driage.

With reference to the above the zone-wise cane cost is determined. The cane cost per quintal of sugar is then determined with reference to the weighed average recovery for each zone for the previous 3 years.

II. Manufacturing Cost :

Cost investigation into sugar industry is entrusted to Bureau of Industrial Cost and Prices (BICP) which furnishes the conversion cost scheduled for the different pricing zones in fixing levy prices. Expenses are normated with respect to capacity utilisation, recovery of sugar from sugarcane and duration, BICP also provides the escalation clause for making adjustments for the element of the conversion cost. The conversion cost is determined with reference to the parameters prescribed by BICP.

III Return:

BICP prescribed the return to be allowed to the industry in fixing the prices. The return prescribed by BICP is taken into account.

The sum total of the cane cost per quintal of sugar, the conversion cost (including escalation) and the return constitutes the cost of production of sugar. Furnishing details, the Food Secretary informed that in 1993-94 cane cost was Rs. 457.06, conversion cost Rs. 202.29 return Rs. 74.73, making a total of Rs. 734.08 as the basic cost of sugar. This is all India average.

1.185 When asked what impact the decontrol of molasses had on price structure, a representative of Ministry of Food stated:

> "As a result of decontrol, the conversion cost was reduced from Rs. 202 to 169. The change was due to higher return on molasses. The other element remained same".

1.186 On being asked what methods have been employed to reduce manufacturing cost of sugar, the Food Secretary replied "It is desirable that we should improve the quality of sugarcane. Secondly, improve the functioning of the factory. Within the factory and within the sugarcane field what is more controllable depends on various other factors, such as quality of sugarcane, care taken by the farmers, weather conditions, the pest attacks, irrigation etc. While sugarcane development is being done in each mill by the cane staff more emphasis is laid by some mills on cane development. As far as better production in the factory is concerned, the Technology Mission is adopting 30 factories for using innovative methods for improving the process and hopefully, this would result in more improvements. We are also providing modernisation money through SDF which will enable mills to improve their process.

J. Fixation of Levy Sugar prices : Statutory Provision

1.187 Under dual policy for sugar 40% of the total production of each sugar factory is procured by Government at controlled ex-factory levy prices for distribution through the Public Distribution System at a uniform retail issue price and the balance production is allowed to be sold by factories in the open market as free sale sugar through the mechanism of monthly releases. The ex-factory prices of levy sugar are fixed under sub-section (3c) of section 3 of the Essential Commodities Act, 1955 having regard to the following factors:

(i) the statutory minimum price notified for sugarcane;

(ii) the manufacturing cost of sugar;

(iii) the duty of tax, if any, paid or payable thereon; and

(iv) the securing of a reasonable return on the capital employed in the business of manufacturing sugar.

1.188 The computation of levy sugar prices is done as per formula recommended by the Bureau of Industrial Costs and Prices to whom cost investigation into sugar industry is entrusted from time to time. The ex-factory prices of levy sugar for 1993-94 season were notified on 17.1.94 and for 1994-95 season on 16.3.95. The retail levy sugar price of Rs. 6.90 per Kg fixed w.e.f. 21.1.92 was revised to Rs. 8.30 per kg w.e.f. 17.2.1993. This was further revised upward to Rs. 9.05 per Kg w.e.f. 1.2.1994 and is to be continued for the present.

K. Buffer Stocks

1.189 The buffer stock of 5 lakh tonnes of free sale sugar of 1992-93 season was operational only for six months. Even then sugar mills were required to pay maintenance, storage and interest of buffer. When asked why buffer stock was non-functional during this period the Secretary stated:

> "In 1992-93 sugar season, the production fell considerably. It was then decided to dispense with buffer stock. The buffer had been maintained till Sept. 93 and it was issued subsequently. In the release order of the months following October, 1993, the entire quantity was released".

1.190 When asked the utility of buffer stock, in the light of past experience, the Secretary deposed: "Buffer stock should be created from our own production. Secondly, we have to decide whether to create such buffer stock in relation to the international prices. Thirdly, we have to maintain a buffer stock of five lakh tonne of sugar in addition to the amount of sugar we export. These are the questions which need to be considered at the time of formulating the policy. We will consider these options".

1.191 When asked how the buffer stocks were to be maintained, the Ministry in a post-evidence reply informed that "The buffer stock was to be maintained as per the following conditions:

(i) The entire quantity of buffer stock of 1992-93 season shall be stacked preferably in a single godown and in a separate lot/lots and clearly demarcated as *'buffer stock'*.

(ii) The sugar factories shall maintain the buffer stock in any of the Indian Sugar Standards grade available with them preferably in a single grade.

(iii) The stocks shall be periodically inspected in regard to both quantity as well as quality by the officers of this Directorate and other Government agencies.

(iv) The factories shall keep the buffer stock intact and shall not despatch/replace the buffer stock without prior permission from the Directorate of Sugar, Govt. of India.

(v) The factories will be reimbursed suitable interest, storage and insurance charges for the maintenance of the buffer stock at the rates to be prescribed by the Ministry of Food, Govt. of India.

1.192 When asked about the quality of storage available for sugar, the Food Secretary stated:

"Sugar storage is always of high standard. After we give the release order, for a temporary period it is kept in the Civil Supplies godown or by the distributors before being sold to the consumers".

1.193 He further added:

"The levy sugar free sale sugar and buffer sugar are all kept in the same godown. There is no possibility of the mills selling the stocks which have already been earmarked as the penalty will be very severe".

L. Sugar Release Policy

1.194 Through the instrument of sugar release mechanism, Government keeps a tab over the price of free sale sugar effected in the market. It also ensures uniform flow/availability of sugar at a reasonable price. The levy sugar is allotted to the State Governments in the form of monthly levy quota which are lifted from the factories either by the State Governments themselves through their corporations/ nominees or through the Food Corporation of India. The monthly release orders for levy sugar are issued in exercise of the powers conferred by Clause 2 (1) of the Levy Sugar Supply (Control) Order 1979, as amended. The balance production is released as free sale through the mechanism of monthly releases. The order directs sugar factories to sell a specified quantity of levy sugar out of the production of a season to the State Government FCI/UTs or to any person or organisation duly authorised by such authority subject to certian conditions. The objective is to ensure adequate availability of sugar for distribution through the Public Distribution System at fair prices. Generally all sugar mills comply with these orders, and in case of lapsed quota it is recovered in subsequent months. Every month release orders are issued under Clause 5 of the Sugar (Control) Order 1966. Under this clause, monthly free sale release orders are issued directing sugar factories to sell in India in the open market, a specified quantity of sugar out of the production of a season, subject to certain conditions, so as to ensure adequate availability of sugar as well as to control its open market price. For the purpose of monitoring, directions for fortnightly sale of 47.5% of the monthly release have also been issued to factories. In cases of non-compliance of these orders, show cause notices are issued to the factories. In respect of lapses in despatches less of freesale sugar, the lapsed quantities are converted into levy sugar.

1.195 The ratio of levy to freesale sugar during the last few years was under:—

Sugar Year/Period	Ratio of Levy	:	Free
From Dec. 79 to 1984-85	65	:	35
1985-86	55		45
1986-87	50		50
1987-88	50		50
1988-89	45		55
1989-90	45		55
1990-91	45		55
1991-92	45		55
1992-93	40	:	60

1.196 Levy Sugar quota is allotted to most of the States based on uniform norms. The levy sugar quotas were revised upward in February 1987 based on 425 grams per capita monthly availability for the projected population as on 1.10.1986. Accordingly, a monthly levy quota of 3.33 lakh tonnes was allowed from February, 1987. However, some States/UTs were given allocations at higher rates in view of the special circumstances prevailing there. Further some enhancement in the quotas of Delhi and Pondicherry was made in May, 1990. Quota of Delhi has been further enhanced by 1200 tonnes w.e.f. July 1993. The quota of Jammu and Kashmir was also increased by 252 tonnes from February, 1994. Accordingly, the present monthly allocation to all States/UTs is about 3.35 lakh tonnes. Levy Sugar is also allotted for meeting the requirement of Defence personnel, Central Paramilitary forces etc. Accordingly, 16654 tonnes were allotted to the State Governments each month from August 1991. However, due to continued decline in sugar production from the record level of 134.11 lakh tonnes reached in 1991-92 to 106.09 lakh tonnes in 1992-93 and about 98 lakh tonnes in the 1993-94 sugar season, the ad-hoc increase of 5% has been discontinued w.e.f. April, 1994.

1.197 In addition to the normal monthly quota a festival quota of about 1.00 lakh tonnes is allotted each year for meeting the requirement of festivals in different States/UTs. This festival quota is allotted to the State Governments/UTs in proportion to their monthly quotas. The State Governments have been intimated that they can draw the festival quota in the month/months of their choice. However, normally the major quantity of the festival quota is allotted during the festival months, i.e. Oct. Nov. in which Dushehara, Diwali etc. fall.

1.198 For meeting the requirements of levy sugar of State Governments/UTs, monthly allotment orders are issued in respect of each sugar factory specifying the quantity to be delivered to the State Governments/Food Corporation of India as levy sugar.

1.199 The State Governments and the Union Territory Administrations arrange distribution of Levy sugar to the ration card holders in urban and rural areas. In the case of Food Corporation of India operated States, the levy sugar quotas are lifted by FCI from sugar factories and supplied to the State Governments/UTs. These States are all North-Eastern States, Sikkim, West Bengal, Orissa, Bihar, Jammu and Kashmir and Union Territories of Andaman & Nicobar Islands and Lakashadweep. The other States and Union Territories directly lift their monthly levy quotas from the sugar factories and undertaking their movement to the consuming destinations. The levy sugar allotment orders are valid for period of two months in direct allottee States and are issued in advance. In case, the State Governments are not able to lift the allotted quantity, the validity periods are extended as and when necessary to ensure that supplies to the Public Distribution System are not effected.

1.200 The entire FCI operated States are deficit in sugar and large quantity are being moved from the factories in Maharashtra and Uttar Pradesh to these deficit States. As per the present procedure, the sugar factories are required to indent for wagons within 3 days of the date of receipt of the despatch instructions and earnest money of Rs. 20.00 per quintal from consignee and despatch sugar thereafter as per the despatch instructions. In case of despatch by rail, the sugar factories are required to obtain a clear RR and endorse the same in favour of the consignee on payment of full cost. However, some of the sugar factories, as per the despatch instructions of the State Government, deposit RRs with the Banks and it is only after the collection of money by the Banks that RR is released by the Bank to the consignee. In case of despatches ex-factory, the same are made against the spot payment made by the consignee. The position of month-wise release of sugar during last 3 years given in Annexure V.

1.201. The quantity of monthly free sale quota for internal consumption is decided having regard to production, stocks, requirement, availability of the other alternative sweetness like Gur and Khandsari, prevailing price levels, etc. The monthly quota of freesale sugar is announced in advance every month. On the basis of the total quantity released for the month, release orders in favour of each factory entitled for freesale release are issued every month specifying the quantities to be sold by each of them. The freesale quota of each factory for each month, is worked out on the basis of uniform percentage to ensure equitable releases. The sale/despatch of freesale sugar by factories is monitored in the Directorate of Sugar.

1.202 Explaining the operational difficulties faced by the Industry, a representative of apex sugar cooperatives organisation, in a post-evidence note informed that "the restriction of sale of free sale sugar on weekly basis is harmful for the sugar industry as even after selling the sugar to the trade, if it is not lifted and the onus lies with the sugar factories. They desired removal of weekly restriction and maintenance of flexibility in selling sugar. The validation period for lifting free sale sugar is extended only when it is absolutely necessary. However, it is normal practice in case of levy sugar. The Government of India released free sale and levy sugar on the basis of production and release given on uniform percentage basis. But State-wise release are decided and the factories in those States get release on uniform percentage basis. The release policy does not ensure reasonable return to industry as free sale release is increased arbitrarily even if there is a small increase in sugar price."

1.203 When asked why free sale quota for the months of April and May 1994 was drastically reduced considering shortage in levy sugar account resulting in shortage psychosis, the Ministry in a post-evidence reply informed that "the shortage of sugar during 1993-94 season was primarily on levy account. The reduction in the freesale quota for May, 1994 was due to two main factors. The first was regarding the absence of a clear cut decision at that stage as to whether sugar would be imported on Government account to meet the requirements for the Public Distribution System. The other factor related to the arrival of imported sugar in the country, as imports were placed under OGL on 9th March, 1994. Keeping in view the earlier decision taken that imports of sugar be placed under OGL with zero duty and that under no circumstances any subsidy could be considered for import of sugar, it was felt that to conserve sugar for meeting the requirements during the later part of 1993-94 season and the early part of 1994-95 season, releases of levy and freesale sugar be restricted to 2 lakh tonnes per month and 5 lakh tonnes per month respectively and a proposal was accordingly put up by this Ministry. The sugar release for May, 1994 was, therefore, considered in the light of this proposal. The other factor was relating to the arrival of imported sugar in April and May, 1994. An assessment was made about the availability of imported sugar when the quota for May, 1994 was being finalised. It was assessed at that time that about 51,000 tonnes of imported sugar was expected to reach by the last week of April and much more would come in May. Keeping the aforesaid factors, in view, the quota of May, 1994 was reduced to 4.75 lakh tonnes. However, it was also decided that further ad-hoc releases would be made, if found necessary. Accordingly, an ad-hoc release of 15,000 tonnes was approved on 4th May, 1994. After a definite decision was taken in May, 1994 to import sugar on Government account for the Public Distribution System, the freesale releases from June, 1994 onwards were stepped up considerably."

STATEMENT SHOWING MONTH-WISE QUANTITY OF IMPORTED SUGAR ARRIVED AT PORTS AND UNLOADED BY PRIVATE TRADERS UNDER OPEN GENERAL LICENCE

(Quantity in Metric Tonnes)

S.No.	Month	Quantity arrived	Quantity unloaded
1.	April, 1994	48,1100.0	44,460.0
2.	May, 1994	73,348.0	72,988.0
3.	June, 1994	3,50,374.4	2,25,197.8
4.	July, 1994	1,85,872.5	1,51,419.3
5.	August, 1994	1,37,879.3	1,88,434.6
6.	September, 1994	1,41,127.8	1,52,045.7
7.	October, 1994		
8.	November, 1994		
9.	December, 1994	47,567.0	96,185.6
10.	January, 1994		
	Total	9,84,269.0	9,30,731.0

1.204 The Sugar Industry has demanded automaticity in the monthly freesale sugar mechanism based on principle which governs the sugar quota release under International Sugar Agreement when asked, whether Government also propose to make suitable amendments in their policy, the Ministry informed that : Under· the present International Sugar Agreement 1992, there are no economic provisions and hence there is no mechanism of quota release under this Agreement. However, under International Sugar Agreement 1977, the prices stabilisation mechanism was incorporated which has been dispensed with in subsequent Agreements.

When asked what action is taken in the event of failure to release quota in full, the Food Secretary deposed : "There are two possibilities. One is that there may be genuine reasons in getting extension for a few days such as non-availability of transport, rail link etc. The other possibility is that whatever quantity is not released, that is lapsed and is added to the levy quota".

1.205 When asked how quota of sugar mills is determined, the Secretary stated :—

> "We first determines the monthly quota. Taking into consideration the availability position and requirement, it is then divided, State-wise. Then quota of each sugar mill on pro-rata basis is calculated, both for levy and non-levy sugar, separately."

1.206 When Committee pointed out that some factories have discriminated against the Food Secretary replied : "This facility was given to some sugar mills, facing liquidity. They owed huge amounts of farmers. It was for the sake of increasing production".

M. Decontrol of Sugar

1.207 There are three options available in regard to sugar policy. These are policies of decontrol, partial control and complete control on sugar. All of these have been tried and the policy of partial control has stood the test of time. Moreover, it ensures the protection of interests of producers, consumers and industry alike.

1.208 This policy has been in existence since 1967 except for short periods of break in 1971-72 and 1978-79. The present policy of partial control with a dual pricing system was introduced on 17th December, 1979. Under this policy, a specified percentage (at present 40%) minus incentives of the total production of each sugar factory is procured by the Government at controlled ex-factory levy prices for distribution through the Public Distribution System at a uniform retail issue price throughout the country. The remaining sugar is allowed to be sold by the factories in the open market as free sale sugar through the mechanism of monthly release.

1.209 In order to improve the production of sugar in the country, it is essential to improve the economic viability of the sugar factories enabling them to ensure payment of a reasonable cane price to the farmers promptly. The efforts have been to ensure reasonable price to the consumer both for levy as well as freesale sugar. The price of levy sugar is determined with reference to the Statutory Minimum Price fixed by the Government, but in actual practice, the sugar factories are paying much higher cane prices than the SMP. Therefore, the loss suffered by the sugar factories on delivery of levy sugar is being compensated by way of higher freesale realisation in the open market.

1.210 There has been the increase in the freesale ratio corresponding to an increase in sugar production. The freesale percentage for the year 1984-85 was 35% when sugar production was only 64 lakh tonnes. With the increase in the freesale ratio to 45% for 1985-86 and further to 50% in 1986-87, sugar production also increased considerably to 70.17 lakh tonnes and 85.02 lakh tonnes correspondingly. The freesale ratio was further increased to 55% in 1988-89, thereby increasing sugar production to 109.89 lakh tonnes in 1989-90 and 120.47 lakh tonnes in 1990-91 and 134.11 lakh tonnes in 1991-92.

Decontrol

1.211 The policy of complete de-control in the past was followed for the following periods :—

1970-71	25-5-1971 to 30-09-1971
1971-72	1-10-1971 to 31-12-1971
1978-79	16-8-1978 to 16-12-1979

1.212 In April, 1971 the price of wholesale freesale sugar in important markets was in the range of Rs. 177-198 per quintal. The policy of decontrol was made effective from 25th May, 1971 and the wholesale prices were in the range of Rs. 180 to Rs. 198 per Qtl. By the end of the 1970-71 season, *i.e.* during the month of September, 1971, the wholesale sugar prices increased to the range of Rs. 182-213 per Qutl. The buoyancy in the sugar prices continued during the initial months of 1971-72 and reached to a level of Rs. 231 to 262 per quintal in December, 1971. The Industry had followed a scheme of voluntary distribution during the period 01-1-1972 to 30-6-1972 during which the prices again rose substantially to the level of Rs. 228 to

Rs. 308 per quintal during June, 1972. Therefore, partial control was again re-introduced on 01.07.1972.

1.213 The second phase of complete de-control was announced on 16.8.1978 and continued upto 16.12.1979. The sugar prices in the country were in the range of Rs. 318-350 per quintal for S-30 grade of sugar during the month of July, 1978. After the announcement of complete de-control, on 16.8.1978, the prices declined substantially to Rs. 225—246 per quintal by the end of September, 1978. The prices remained low upto October, 1979. It is only from the month of November, 1979 that sugar prices started again increasing and reached a level of Rs. 289—335 during the month of November, 1979 and further to Rs. 420—480 during December, 1979. Government had imposed partial control on 17th December, 1979, and thereafter the sugar prices again started increasing and reached a level of Rs. 680–850 in January, 1980.

1.214 There are divergent views with regard to de-control and de-licensing of sugar Industry. The National Federation of Co-operative Sugar Factories is in favour of partial control and licencing. The licensing policy is desirable to protect the interest of farmers and to avoid chaotic situation. On the other hand, an apex sugar organisation representing the interest of private sector, was of the view that the partial decontrol, though an improvement over the complete control has outlived its utility in the present context and should be dispensed with and advocated delicensing of new projects with reservation. They also demanded, withdrawal of incentive schemes and continuation of reservation of cane areas done by States for the new sugar factories. The organisation favoured freedom of licenses for expansion of projects. In the assessment of a representative of sugarcane grower, growers are not going to be benefited with the policy of decontrol of sugar. However, by delicensing there will be competition and growers will be the beneficiary.

N. Gur and Khandsari Industries

1.215 Before the Sugar Industry developed to any significant extent *viz.* till the grant of tariff protection in 1932, most of the cane produced was used for the manufacture of Gur and Khandsari. The sugar industry started drawing more and more cane after 1932. During the year 1984-85 to 1991-92 about 52.9% to 35.3% of the total cane production was used for sugar manufacture for Gur and Khandsari.

1.216 Gur and Khandsari are the largest agro-processing cottage industries under decentralised sector in India. About 40% of total cane produced in the country is processed for making about 8 million tonnes of most nutritious sweetener *i.e.* gur. Gur is not only sweetening agent but also energy food/part of diet for vast multitudes of rural community. It meets about 40% demand for sweetening agents in the country, mostly in rural area.

1.217 Gur is manufactured in almost all sugarcane growing States. The main gur producing States are Andhra Pradesh, Assam, Bihar, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh. The manufacture of gur is predominately in the rural areas and it is mostly manufactured by sugarcane farmers in small scale units using three roller cane crushers and open pan juice concentration furnaces of varying size. The exact number of gur units operating is not known. However, it is estimated that 70-80 lakh tonnes of gur is produced every year.

1.218 Lower justice extraction is the largest factor responsible for poor productivity and profitability of jaggery. As regards power operated crusher, they are of two type *i.e.*, horizontal and vertical. The former is reported to be 2-4% more efficient in juice extraction besides 20-30% more output for the same source of power.

Process of Manufacture of Gur

1.219 The manufacture of gur from cane involves three operations namely, extracting of juice from cane, boiling and cleaning it to semi-liquid or solid consistency and moulding in different forms of concentrated mass in various sizes.

Recovery of Gur

1.220 The recovery of gur is normally 10 to 13% of the weight of the sugarcane.

Season of Manufacture of Gur

1.221 The season for the production of gur generally starts from the middle of October onwards upto April which conforms to the harvesting period of cane in most of the sugarcane growing areas, although the period may vary slightly from region to region synchronizing with the time of harvesting of cane in that region.

1.222 When asked during evidence whether Government propose to export Gur, the Secretary stated : "We do not propose to export Gur. The private parties should involve themselves in this exercise. At the moment, there is no restriction on them."

Khandsari

1.223 Khandsari is mostly manufactured in the rural areas. It is differentiated form sugar mainly by the process it is manufactured, not much from its composition. Khandsari plays a very significant role in the rural agro economy. In fact, this is the only industry operating at the door step of farmers providing employment to rural unskilled labour. Khandsari Industry is a small scale industry. The Khandsari units are mostly located in the States of U.P. and Andhra Pradesh. The licensing of Khandsari units is done by the State Governments concerned and no licensing of such units under Industries (Development & Regulation) Act, 1951 is called for. However, there is a provision in the Sugarcane (Control) Order, 1966 for fixation of Statutory Minimum Cane Price with the approval of Central Government or by Central Government itself. In most of the States, Khandsari units are not paying SMP. When asked during evidence the reasons for such an anomalous position, an apex Khandsari organization clarified :—

> "We have day to day rate. As and when recovery percentage/rise, the rates of sugarcane price payable also increase. It is a cottage industry where about 300 labour work. We are unable to pay like sugar industry."

1.224 There are about 2000-3000 Khandsari units working, having varying degrees of capacity and efficiency. The capacity of Khandsari units ranges from 50 TCD to 300 TCD. In the assessment of an apex Khandsari association, U.P. Khandsari Manufactures' Association, Moradabad over the years due to lack of technical development and adverse policies of the Government, this Industry has gone down so much so that out of 5500 operating units in 1978-79 now only 1300 are functioning.

1.225 When asked about reasons for closure of Khandsari units, he further stated :—

> "The National Sugar Institute, Kanpur developed sulphitation process for improving recovery. This was adopted by some khandsari units. By installing hydraulic crushers they could improve the recovery and thus became viable. Those units which could not adopt sulphitation process become sick. Today out of 1300 units, 900 are operating on hydraulic crushers.".

Process of Manufacture of Khandsari

1.226 The Khandsari units adopt open pan boiling system. In this process, evaporation of juice is carried out by boiling under atmospheric pressure. The Khandsari units are of two type, namely non-sulphur and sulphur units. Non-sulphur units are small in size say about 70 TCD as compared to sulphur units say upto 300 TCD.

Recovery Percentage in Khandsari Units

1.227 The recovery in Khandsari units is about 6-7% of cane. The losses in recovery of Khandsari industry are to fold, *i.e.*, lesser juice extraction and inversion at high temperatures in open pan juice boiling. In the opinion of an apex Khandsari Association, the recovery is 11.5%, if the earning by Khandsari molasses is molasses is also taken into account.

UTILISATION OF SUGARCANE FOR DIFFERENT PURPOSE

1.228 Statement showing State-wise utilisation of sugarcane for different purpose is as under :—

STATE-WISE UTILISATION OF SUGARCANE FOR DIFFERENT PURPOSE

Percentage of cane utilised for the manufacture of sugar

State	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91(p)	1991-92(p)	1992-93(p)	1993-94(p)
Uttar Pradesh	21.8	23.6	32.0	32.2	27.4	34.2	31.6	35.8	28.7	27.6
Bihar	40.7	65.8	87.0	76.5	63.5	55.6	58.6	74.9	57.9	54.7
Punjab	27.2	29.7	39.5	35.7	42.5	49.8	51.7	60.3	68.3	71.4
Haryana	28.3	33.0	43.3	52.3	43.1	50.9	51.0	55.9	52.6	50.5
Madhya Pradesh	39.4	38.8	46.9	56.7	40.0	39.8	74.3	80.4	45.5	22.9
Maharashtra	79.0	89.9	90.2	–	93.3	107.6	89.6	104.2	96.3	88.0
Gujarat	49.0	78.4	94.9	93.2	63.7	66.4	71.9	66.1	60.9	72.1
Andhra Pradesh	38.5	43.7	64.2	62.5	46.9	49.0	57.6	56.8	43.6	48.4
Tamil Nadu	35.7	42.4	39.4	41.0	41.6	40.8	55.4	54.4	45.0	39.9
Karnataka	31.6	35.2	40.6	41.9	35.7	43.5	43.8	40.7	35.5	38.0
ALL INDIA	35.3	40.2	45.8	47.7	42.2	49.9	50.7	52.8	45.22	43.22

Gur and Khandsari

State	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91(p)	1991-92(p)	1992-93(p)	1993-94(p)
Uttar Pradesh	66.4	64.5	56.0	55.8	60.6	53.9	56.5	48.5	59.4	60.5
Bihar	47.5	22.3	1.0	11.5	24.5	32.5	29.5	13.3	30.2	33.4
Punjab	61.0	58.4	48.5	52.3	45.5	38.3	36.4	27.8	19.8	16.7
Haryana	59.9	55.1	44.7	35.7	44.9	37.2	37.1	32.3	35.5	37.6
Madhya Pradesh	48.8	49.3	41.1	31.3	48.0	48.3	13.8	24.3	53.4	65.2
Maharashtra	9.2	–	–	–	–	–	–	–	–	–
Gujarat	39.2	9.7	–	–	24.3	21.7	16.2	22.0	27.2	15.4
Andhra Pradesh	49.7	44.4	3.8	25.6	41.1	39.1	30.6	30.5	44.5	39.7
Tamil Nadu	52.5	45.7	48.6	47.0	46.22	47.3	32.7	30.3	43.1	44.2
Karnataka	56.6	52.9	47.4	46.1	52.3	46.6	44.3	44.2	52.6	50.1
ALL INDIA	52.9	47.9	42.2	40.3	45.8	38.2	37.4	35.3	42.9	44.9

Note : Average percentage of cane utilised for seeding, chewing and stock feeding etc. for different years has been taken as follows :—

1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92(p)	1992-93(p)	1993-94(p)
11.8%	11.9%	12.0%	12.0%	12.0%	11.9%	11.9%	11.9%	11.9%	11.9%

1.229 It may thus be seen from this statement that the cane utilised for the manufacture of Gur and Khandsari ranges between 35.3% during 1991-92 and 44.4% during 1993–94. During 1992-93 the diversion use of Sugarcane for Gur and Khandsari was 42.9% of the total production.

1.230 When asked how much sugarcane was made available to Sugar industry *vis-a-vis* their demand, the representatives of an apex Sugar Organisation stated. "The Planning Commission has held that utilisation amongst different sweetness should be 50%, 38% and 12% for sugar, Gur and Khandsari and for other purpose, respectively. In earlier years, we are getting 30-35% cane and rest went to Khandsari/ Gur and for other purposes. In 1992-93, 45.2% cane was processed by Industry and had 50% cane been made available to them, the need to import would not have been arisen, but they received only 45.2% of the cane.

1.231 According to the Forward Markets Commission, the statistical data on Gur and Khandsari relating to production as obtained from official and trade sources is given below :—

Year	Sugarcane (In million tonnes)	Sugar (In lakh tonnes)	Gur (In lakh tonnes)	Khandsari (In lakh tonnes)
1989-90	225.57	109.89	70.9	12.5
1990-91	241.05	120.47	73.1	12.9
1991-92	254.00	134.11	70.8	12.4
1992-93	228.03	106.09	77.8	13.7

1.232 The sugar production which reached a record level of 134.11 lakh tonnes during 1991-92 sugar season has declined to 106.09 lakh tonnes during 1992-93 sugar season. Production during the 1993-94 sugar season is estimated to be around 98 lakh tonnes. This decline in sugar production has been primarily on account of heavy diversion of cane to Gur and Khandsari sector in U.P. and the fall in case sugar production in the major sugar producing State of Maharashtra and in

Maharashtra, almost the entire sugarcane is utilised by the sugar factories and there is not much diversion of Sugarcane to Gur and Khandsari. The diversion of Sugarcane to Gur/Khandsari is taking place in almost all other States in varying degrees and more significantly in U.P. The percentage utilisation of sugarcane by the sugar factories in U.P. has varied from 27.48% to 35.8% during the last 5 years 1988-89 to 1992-93.

1.233 When asked what are the reasons for diversion of cane to Gur and Khandsari, the Committee was informed that the prime reason of diversion of sugarcane is not only inadequate capacity of the sugar factories but also due to economic considerations, *viz.*, when the Gur and Khandsari manufacturers are able to pay higher cane price to the farmers that too promptly, there is always tendency for diversion of Sugarcane to Gur and Khandsari.

1.234 Elaborating further, the representatives of U.P. Gur and Khandsari Merchants' Federation opined that "Farmers harvest the cane under duress before time. By this not only they are able to meet the demand of fodder but also relieve much needed space to grow other crops. As the crushing capacity of sugarmills is insufficient and they are unable to process all cane that is offered to them, the farmers are compelled to go in for the production of gur. Moreover, there is delayed payment by sugarmills unlike in case of Gur, where payment is promptly made."

1.235 Apex sugar organisation was of the view that "Gur and Khandsari industry pay unremunerative price at the initial stage of the season and as soon as recovery picks up, they give some what higher price to the farmers. In the surplus year, they give very little. In early and late crushing periods, the recovery rate drips to 3%. At that stages sugarmills voluntary purchase cane, whereas Gur and Khandsari are under no obligation to purchase it.

1.236 When asked why Gur and Khandsari industry are able to pay more, when compared to sugar sector, the representative of Ministry opined:—

> "The ultimate price that one will pay for raw material depend on at what price one can sell his end product. The mill sector has certain cost of production, taxes and other thing but the Gur sector, perhaps does not have as many of them. The cost of production being lower and the cost being lessor, the market shows that he is better position to vary his prices. Where he finds that the price of commodity is high, he is in a better position to offer more. He corners more cane so that he will get

more profit. So, the recovery is one of the factors in cost of production and the price of the end product the other. We are worried at the national level. It would have been in national interest had it (cane) been processed in the mill sector because then more sweetener could have been obtained with the same raw material. But again, it (Gur & Khandsari) is a very large sector and it has to live. But the question of just taking recovery in isolation is not a fair comparison. It is an economic solution in which they both are located."

1.237 The diversion is also attributed to the present policy of partial control of sugar, whereunder, sugarmills are required to deliver a portion (at present 40% except those covered under various incentive schemes) of their sugar production as levy sugar and the balance is released as free sale sugar. The release of levy and free sale sugar is also regulated through the monthly release mechanism. On the other hand, Khandsari and Gur units are not having this statutory obligation and are comparatively free to dispose of their stocks, as and when needed, thereby improving their ability to pay more remunerative & prompt cane price to the farmers than the sugar factories. Further, in case of sugar factories, manufacturing cost is required to be incurred in short period of time, whereas the realisation from sale of sugar is spread over a period of 13-14 months and hence the sugar factories often suffer from immediate cash problems. During the crushing period, the priority for immediate payment is for operational expenses, wages etc., and thus the payment of cane price suffer resulting in delay in payment of cane price and accumulation of arrears. As there are long delays, in receiving payment from the sugar factories, the farmers, particularly the marginal ones, prefer to off-load their cane to the manufactures of other sweetening agents who pay them promptly. Besides this, particularly in U.P. and some other Northern States, the system of distribution of chits by the cane union for supply of cane also leads to various malpractices.

1.238 When the Committee asked how much additional income is generated by diversion of Khandsari molasses into manufacture of liquor, the U.P. Gur and Khandsari Merchants Association clarified:—

"It is a myth. The Khandsari molasses contain sulfide, and is not fit for human consumption. Moreover, the price differential make gur highly uneconomical".

Choice of Technology

1.239 The choice of technology should be suitable to the overall economic and social environment, taking into consideration factors like nature, quality, and availability of raw materials, size and the nature of the market, the scale and cost of available labour, including ability of labour to assimilate technology through training costs and availability of capital, climatic conditions and social welfare policies.

1.240 Three main sweetening agents made from sugarcane, namely, sugar, khandsari and Gur (Jaggri) can be divided from angle of process technology, into two categories, namely vacuum-pan system for production of white sugar, and open pan system for production of khandsari and gur.

1.241 Of the 423 installed sugar factories in the country at present, as many as 366 factories are following double sulphitation process and remaining double carbonation double sulphitation process. Carbonation process is costlier and more energy consuming process.

1.242 The sugar produced by open-pan-system is commonly referred to as khandsari. In this process, evaporation of juice is carried out by boiling under atmospheric pressure (hence the name 'open pan').

1.243 The average recovery in khandsari units is about 6-7 per cent of cane. In the cost of production of khandsari units, about 85 per cent is the cost of cane. Further, the conversion cost is lower as compared to vacuum-pan-sugar which may be around Rs. 100 per quintal including depreciation and return on employed capital. There is no excise duty on khandsari sugar as well as on khandsari molasses with the result that the cost of production per quintal of khandsari is lower as compared to that of vacuum-pan-sugar. However, in the case of khandsari units, there is less capital investment as compared to vacuum-pan-sugar factories of the same capacity.

1.244 Gur is normally made by non-sulphitation process. The concentrated mother liquor is poured into earthern vessels where it solidifies.

1.245 In the manufacture of gur, about 90 per cent of the cost of production goes towards cane and the remaining 10 per cent goes towards other heads.

1.246 For the sugarcane being crushed by vacuum-pan-sugar factories for production of plantation white sugar, purchase tax to the tune of Rs. 1.5, to 5.50 per quintal of cane is being levied by the State Governments. Over and above there is an excise duty of Rs. 38 per quintal in respect of levy free-sale sugar and Rs. 50/- per quintal in respect of free-sale sugar. There is also sugar development fund cess of Rs. 14 per quintal on this sugar. There is also control on its distribution presently in the ratio of 40 : 60 as levy and free-sale.

Against this, both Khandsari Industry and Gur Industry are free form Central levies.

1.247 The average all India recovery of sugar in vacuum-pan-sugar factory is of the order of 10 per cent of cane whereas the same in the sulphur khandsari unit is of the order of 6-7 per cent of cane. This low recovery in Khandsari unit, therefore, leads to an excess utilisation of the scarce land resources which can profitably be utilised for meeting the more pressing needs of the population like pulses, oil-seeds, etc. Similarly, there is lot of wastage of sugar in cane by way of manufacturing gur.

1.248 An apex Khandsari organisation (U.P. Khandsari Sugar Manufacturers' Association, Moradabad) in their submission to the Committee requested permission for use of vacuum pan technology on a mini scale and urged that:—Existing Tax Structure be maintained; Existing Distribution system for Sugar and Molasses be continued; Soft loan facilities to encourage the above modernisation be granted; Licences upto 500 TCD crushing be granted to existing Khandsari units only.

1.249 They were of the opinion that these measures would enable the industry to increase its recovery by 3%, increase annual production of sugar by 3 lac tonnes in similar quantity of cane crushed, pay more remunerative prices to cane grower i.e. at par with mills and attain self sufficiently interims of fuel and power, thereby resulting in energy conservation. The Association further informed that the experiment of a Mini Vacuum Pan Unit was tried successfully in national Sugar Institute, Kanpur. It was scaled down version of Standard Vacuum Pan Technology with fairly high yield, good thermal efficiency and high labour input. Its capital cost was about 4 times that of Open Pan Technology for the same capacity. Comparative Data on both processes are given below :—

	Open Pan Unit	Mini Vacuum Pan Unit
1	2	3
Capacity	200 TCD	200 TCD
Recovery	6.5%	9.5%
Capital Cost	Rs. 50.00 lacs	Rs. 250.00 lacs
Employment	180	180
Annual out-put of Sugar (in Tonnes)	1430 MT (110 Days)	2660 MT (140 Days)

1	2	3
Capital cost per unit of annual output of sugar	3500	9400
Capital cost per man day of employment	250	1000
Fuel Adequacy	10% deficient	Self sufficient
Power	Dependent upon	Fairly Self
Cane required to produce 1 tonnes of sugar	external sources 15.30 tonnes	Sufficient 1060 tonnes

1.250 When asked during evidence the result of above experiments, the representatives of Ministry stated :

"It is a sugar institute where training on sugar technology is imparted, it did not work on Khandsari."

1.251 When asked what incentives Government propose to offer to Gur and Khandsari units for upgrading their technological status, the Ministry of Food in a note informed that "No incentive scheme is being operated by the Central Government as the power to licence Khandsari units, power crushers etc. and to regulate the distribution of Gur, Khandsari etc. is with the State Governments. Hence the licensing and distribution controls on Khandsari units and power crushers is not being exercised by the Central Government for such units. Gur manufactured by process other than power crushers is a cottage Industry and not being regulated by the Central Government". Supplementing further, Secretary (Food) during evidence stated :

"If manufacturing process and design can be changed it must be done. We will consult experts and try to improve the recovery, manufacture process and sucrose contents".

1.252 In regard to granting permission to Khandsari industry to use vacuum pan technology, the Committee was told that since the Central Government is regulating the licensing, distribution and price of sugar produced by vacuum pan factories, allowing Khandsari units to use vacuum pan process would bring them under the purview of these controls. In such a situation, Khandsari units and power crushing begin of small capacity will not remain viable.

1.253 On being asked whether any National Institute/Institutes have been established by Union/State Governments to improve the technological status of Gur/Khandsari Industry, the Secretary (Food) Stated : "At present there is no institute at National Level to undertake R & D on Gur and Khandsari. A preliminary research was done by a unit of Indian Institute of Sugarcane Research. For improving the process, no research has been undertaken at National level."

1.254 When Committee pointed out whether any arrangements were made earlier by National Institute, Kanpur, he informed that in 1965, a training course was started and a Lab on Khandsari was also set up. As the trainees did not evince much interest and considering the fact that inflow of funds were not commensurate with the utility, the scheme was abondoned in 1985. The machinery was shifted to sugar mills. The staff has also been redeployed".

O. Diversification of Sugar Industry : By-Products of Sugar Industry and their Importance

1.255 Sugarcane is used for production of sweetening agents, *viz.* Sugar, Gur and Khandsari. It is also used for chewing, juice purpose etc. Sugarcane is considered to be best synthesizer of solar energy into bio-mass like sugar, cellulose, lignin and pentosans. Processing of sugarcane in the sugar factory yields sugar as well as the by-products, bagasse, molasses, filter mud, sugarcane wax, cane trash, seed and juice. Though theoretically hundreds of products can be produced from the by-products of sugar industry, in actual practice, the production of only a few products is commercially possible and financially viable. This would result in covering the by-products into value added products thereby improving the economics of the sugar production. The bagasse and molasses are the most important by-products which could be used as raw material for the production of a variety of products and many other downstream items. Press cake in the sulphitation unit is normally used as manure in the sugarcane fields. Its industrial use by the extraction of crude cane wax and its further purification/modification for being used for the production of various end-products like metal and leather polishes and carbon papers etc. is technically feasible. However, its commercial viability has to be studied afresh in the changed circumstances.

Bagasse

1.256 It is the fibrous residue of the cane stalks left after crushing and extraction of the juice. It forms about 28-36 per cent of the cane. Bagasse finds its main use as a fuel for sugar factory boilers for raising steam. A tonne of bagasse generate 2.5 tonnes of steam. Methyl alcohol, Formic acid and Acetic acid are also obtained by processing bagasse. Bagasses can be used for production of sludge bio-gas. It can also be used for making different varieties of pulps suitable for making writing, printing, wrapping book and bag papers, newsprint, bleached tissue, towelling, and gasoline and grease proof papers. The bagasse may be used in conjunction with long-fibred pulps. Bagasse is suitable for the manufacture of paper, corrugating and box boards, particle boards and fibre boards. Compressed bagasse (called briquettes in boards or powder form) can be used for making furniture. Bagasse can be used in the manufacture of plastics. Bagasse may also be used as a clean and light filler in building materials. Bagasse can be used as a litter for poultry. Dehydrated fresh bagasse can be used as an agricultural mulch. Bagasse may also be used for soil conditioning and as compost. Bagasse can serve as an emergency cattle feed.

1.257 Most of the sugar mills use bagasse for firing the furnaces to produce steam. When asked during evidence whether any steps have been taken to prevent the burning of bagasse, the Secretary (Food) stated : "The most cost effective method of providing power to sugar mills is the use of bagasse within the system. Even within that, there are various ways and means by which bagasse can be saved. Bagasse saving varies from as low as one to two per cent to as high as eleven to twelve per cent of the total quantum of bagasse. Through the Technology Mission on Sugar Industry, we are trying to inculcate the practice of uniform steam saving by which bagasse requirement would be reduced and as a result there will be surplus of bagasse. Another alternative which is tried in Tamil Nadu is to buy the entire bagasse by product and replace it with coal as an alternative fuel. But supplying coal to 400 mills in all parts of the country is an extremely difficult process. Self-sufficiency in the system is a preferred alternative. But bagasse saving is being given an important thrust."

Molasses

1.258 Molasses constitute the dark coloured syrupy product finally resulting after repeated elimination of crystalline sucrose by reboiling and centrifuging from the concentrated clarified cane juice. Large quantities of molasses are available as by-products of sugar production, which is mainly utilised in alcohol production. Molasses is also produced by Khandsari Industry which is mostly utilised for making cattle feed or illicit potable alcohol production.

1.259 About 45% of vacuum pan factory molasses in India is used in the fermentation industry for the manufacture of power alcohol, industrial alcohol and potable spirits. Most of the remaining quantity is used as a flavouring agent in hookah tobacco, for feeding cattle and in foundries and some time as a fuel. Molasses is used as an animal feed. Molasses is rich in potash,. nitrogen and is widely used as fertilizer.

1.260 Molasses can be used for the preparation of edible syrups (containing sucrose, glucose and fructose), dextran, potassium salts, aconitic, itaconic, levulinic and oxalic acids and monosodium glutamate, and also for making active carbon, dyestuffs and resin for plastics. Its use has been recommended for reclaiming alkaline soils. Molasses has also been used for making a rod-surfacing material with coal-tar, asphalt and fusel oil and to soluldazing the phosphate of bone and rock phosphates, and for the production of combustible gas. Mixed with lime, molasses forms a compound as hard as cement and useful as mortar. It may also serve as a scale and rust remover, as a bait in insecticidal poisons, as a thickening agent in wire-drawing lubricants, as a hydrating agent in mineral classifying processes.

1.261 A substantial quantity of molasses is also exported. Molasses holds a great promise in the production of power alcohol for use as fuel for automobiles with or without gasoline.

ESTIMATES OF PRODUCTION OF SUGAR MOLASSES AND ALCOHOL FOR THE LAST YEAR OF 7TH PLAN AND DIFFERENT YEARS OF 8TH PLAN

1989-90	11.31	4.52	894.96
1990-91	1.54	4.62	914.76
1991-92	1.99	4.80	950.40
1992-93	12.29	4.92	974.16
1993-94	12.90	5.16	1021.68
1994-95	13.54	5.54	1073.16

Storage

1.262 Molasses a replenishable raw material is used primarily in the production of alcohol. It is necessary to provide for adequate and proper storage of molasses for its preservation and usage throughout the year. The norm for storage is prescribed under Molasses Control (Regulation of Fund for Erection and Storage Facilities) Order, 1978 that each sugar factory Khandsari unit shall have 50 per cent of the overall production of molasses. The said order also provides for creation of a separate storage Fund for Molasses to be maintained jointly by the Sugar Khandsari Industry and Molasses Control Board.

The Working Group on Industry of molasses is of the view that it would not be appropriate to continue the subscription to the storage fund in respect of those units which have already build up the required storage facilities. Further the working group has recommended a time schedule for construction of facilities in units which do not have adequate storage.

1.263 Considering the problem of non-lifting of molasses by the distilleries, the storage capacity available with the factories has also become insufficient. Since the purpose of storing molasses at the sugar factories is mainly to provide regular and continuous availability of molasses to the distilleries and to prevent pollutions of the area, it is necessary that if any extra capacity is to be created for storing it, the cost of the same should be borne by the distilleries who are actually utilising it for production of alcohol.

1.264 Molasses is consumed mostly in distilleries for producing ethyl alcohol. About 50 per cent of the existing distilleries are independent and not attached to any sugar factory. These distilleries depend upon coal supplies to meet their fuel requirement which, in turn, is not available in time. Also they depend upon molasses to be transported from the sugar factories. Such distilleries have, therefore, to incur expenditure on transportation of these two commodities which can easily be avoided, if the distilleries established in the country are attached to sugar factories. The diversification of distilleries utilising molasses appear to be highly profitable activity and could improve sugar economy. In view of this, the sugar factories be allowed to set up captive distilleries so that these starch and molasses can be effectively utilised. The Food Secretary also informed the Committee that setting up of sugar complexes in which by-products such as molasses are used, is being encouraged, as it increase the viability of whole system.

1.265 The quantum of molasses produced in the factories roughly constitutes 4% of the cane crushed. Before 10th June, 1993, molasses was under Price and Distribution Control. It was decontrolled from Price and Distribution on 10th June, 1993. Before decontrol, prices of molasses were regulated under the Molasses Control Order, 1961. The prices existing before decontrol were as follows :

Grade I	Rs. 14.40 per quintal
Grade II	Rs. 11.50 per quintal
Grade III	Rs. 8.90 per quintal
Below Grade III	Rs. 8.60 per quintal

and the vacuum pan sugar factory molasses of different grade were realising and average basic price of Rs. 103.40 per Metric tonne. The Molasses Control Order, 1961 was rescinded on 10th June 1993 with a view to removing control on prices and distribution of molasses, the prices of molasses shot up steeply.

1.266 As per preliminary information received form sugar factories, the average realisation for sale of molasses is as under :

	Zone	01.10.93 of 31.03.94	01.10.94 to 30.09.94
		Rs./Quintal	
1.	Punjab	122.46	101.48
2.	Haryana	64.72	90.95
3.	Western U.P.	94.86	66.05
4.	Central U.P.	81.30	74.51
5.	Eastern U.P.	107.97	88.57
6.	South Gujarat	164.69	159.06
7.	South Maharashtra	117.26	141.41
8.	North Maharashtra	142.28	123.27
9.	Central Maharashtra	138.48	150.92
10.	Bihar	102.74	92.10
11.	Karnataka	150.52	115.72
12.	Tamil Nadu and Pondicherry	106.87	133.81

1.267 While molasses production is about 4% of the cane crushed, the realisation from molasses vary from factory to factory, as factories are not producing the same grade of molasses. Further, after decontrol there is no fixed price at which molasses is being sold. Hence, the excess amount realised after decontrol of molasses could not be assessed. The Income derived from sale of by-products, including molasses is taken into account while computing the notified cost of production of sugar. The excess realisation by the sugar factories with reference to the aforesaid cost of production is to be shared between cane growers and sugar factories on a 50 : 50 basis as provided under clause 5A of the Sugarcane (Control) Order, 1966.

1.268 Elaborting further, the representative of Ministry of Food during evidence informed that "when the price of sugar is determined, the BICP takes into consideration, the price of the by-products material to that extent that is taken as income when fixing the price for the levy sugar. In 1993 the government decontrolled molasses, a result of which the BICP while fixing the statutory price assessed what is the molasses worth to the sugar mill. They evolved certain figure and gave their recommendation for that year. They told us that after six months we should look at the price of molasses so that in computing the price of levy sugar we take into account the income which is going to the mill sector and see it benefits the consumer. When we did our recalculation in the middle of last year, we had to come to the conclusion that the price of molasses which the BICP fixed was lower than what it was worth. Then we revised the price of levy sugar. Rs. 33 per quintal was paid less to the sugar mills from the middle of September, 1994 so that the benefit ultimately went to the consumer."

1.269 When the Committee pointed out that there is a fluctuation in the price of different variety of molasses and in that eventuality what is the control mechanism the Government have and how the interests of consumers would be protected, he then further added : "When it is (molasses) being decontrolled the market determines the price. There is a complex method for a person to calculate the value that should be taken into account. Last year, the molasses was going for Rs. 1100-1400 per tonne in Maharashtra area. In some places it was Rs. 650 and in some areas it was Rs. 800. We are trying our best to collect such information we can from the mills as to what actually they have got and decide upon what we feel as the normal price for molasses. We will take that as income of the mill sector and in the fixation of the levy price it will be a major consideration. To some extent the production of sugar has gone up. It will be neutralized to some extent. The consumers will ultimately be the beneficiary because the cost of production to that extent will be brought down."

1.270 When the Committee enquired why the impact of control of molasses under which levy price was reduced by Rs. 34 per quintal did not got reflected in PDS levy price, the representative of Ministry clarified :

> "The money has been collected by States because they collected sugar at a cheap price when the controlled retail price remained at Rs. 9.05 per kg. So they got a certain amount which they are holding on our account. We will calculate amount and use it for subsidising the distribution of sugar in future. So, if the distribution cost goes up in future, we will take credit of this amount. The

distribution cost in future will certainly get lowered. So, we will try to control the price increase in figure to that extent. It will reach the consumer definitely. If I think that the cost has gone up by 10% this year, I will be able to say today that instead of 10%, I will give you a lower price so that you adjust the money which you have already collected. We do not allow the mill sector to retain this money because we find that their cost will come down and widen their profit margin."

1.271 It has been reported that as a result of decontrol of molasses, the quantity of sugar which is required to be extracting is not being forthcoming. It has enriched the quality of molasses and has reduced the extraction of sugar. When asked as to what are the reasons, the representative stated : "It may have been a short term phenomenon when the Government of India took a decision to free molasses of all controls. The States also have a concurrent power. They have not let it free totally. Each State is following its own policy. That is why all through last year, the prices of molasses in different parts of the country were different."

PART B

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

1. The Committee observe that though the country is the largest producer of sugarcane in the world, there exists a wide gap between the achievable and realised production. The main constraints in improving the productivity level of sugarcane are inadequate supply of disease-free and suitable varieties of cane, prevalence of disease, inadequate transfer of production technology, lack of irrigation facilities and deterioration of soil health. In order to achieve production at international level and to attain the productivity level as recommended in 8th Five Year Plan, a comprehensive strategy should be undertaken. In this context, the Committee recommend that the institution of Krishi Vigyan Kendras which are instrumental in disseminating production technology should be strengthened and necessary training to farmers be imparted to adopt and assimilate latest production technology. Irrigation cover to crop should also be increased. The drip and sprinkler irrigation system which helps in increasing the yield levels, manifold, should be popularised. The plant protection cover should also be increased in order to take care of attack of pests and disease. Soil testing laboratories should be set up to determine fertility level of soil and recommend corrective measures to improve soil health.

2. The Committee note that the present duration of some of the traditional varieties of sugar cane is very long. Taking into account the present resources available such as land and water, greater emphasis should be laid on the development of high sucrose, high yielding, disease free and early maturing cane varieties so that uninterrupted and regular supply of quality sugarcane is maintained.

3. The Committee regret to note that no adequate institutionalised arrangements existed to promote sugarcane development. The Sugar Development Fund, created in 1982 catered to the needs of mills areas only, which incidentally fell below 53% of total area under sugarcane, leaving non-mill areas in the lurch. In the mill areas, the sugar entrepreneurs hardly took any initiative to undertake intensive cane cultivation. The representative of Ministry of Agriculture was candid in his admission that development of sugarcane did not got the due focus, resulting in yield level at All India level hovering around 60 tonnes per hectare as compared to more than 100 tonnes per hectare in other sugarcane producing countries like Philippines, Cuba and Hawai. The imbalance in productivity level existed inter-state also, being as low as 45 and 55 in Bihar & U.P. and as high as 107, 86 and 85 in States of Tamil Nadu, Karnataka and Gujarat.

While appreciating the launching of Sustainable Development of Sugarcane Based Cropping System (SUBACS) to upgrade productivity, the thrust are being on propagation of improved production technology. The Committee are of the opinion that the scheme may not be able to achieve the basic mandate assigned to it, in the absence of any provision made to meet the critical input requirement of farmers. The Committee also note that development of sugarcane especially in non mill areas remained exclusively within the domain of States, who for want of adequate resources and infrastructure back up were not able to gear up their machinery to improve the status of sugarcane. The Committee, therefore, recommend that a centrally funded Technology Mission on Sugarcane be launched to boost productivity level in the country without any distinction between mill and non mill area. Institutionalised arrangements should be made to distribute inputs required for cane cultivation.

4. The Committee note that price of sugarcane is paid on weight basis having no regard for quality. Whereas the agricultural side aims at maximising yield of cane per hectare without any regard to recovery, the industry strive to have high recovery with minimum tonnages of cane. The Committee are of the opinion that the productivity of sugarcane has to be measured in terms of sugar per hectare and hence recommend that quality based sugarcane pricing policy should be introduced.

5. The uninterrupted supply of cane is the cornerstone for viability of sugar units. To provide maximum sugar at minimum cost, it is desirable that sugarcane is supplied according to varieties. However, the industry, especially in North, has been deprived of early and late varieties, with the result that crushing period gets shortened. Further, sequence of sugarcane supply i.e. early, mid and late varieties are not controlled, which effects recovery. The Committee are of the view that optimum results could only be achieved, if supply of cane is regulated. To achieve this, the Committee recommend that farmers should be encouraged to cultivate admixture of these varieties, with an element of incentives for early and late varieties, so that not only the farmer is able to market his produce more profitably, but sugar mills too get regular cane supply throughout the crushing season.

6. There has been inequitable relationship between Statutory Minimum Price and State Advised Price. The disparity between them have increased from Rs. 4-5 in earlier years to Rs. 18-20 per quintal. It has been brought to the notice of the Committee that SMP is being deliberately kept at low levels as it has direct bearing on determining levy sugar price. The States have pleaded that their cost of cultivation data have been disregarded by CACP and thus Statutory Minimum Price so fixed is unrealistic and unremunerative.

As a result, the States have been compelled to announce sugarcane price higher than that recommended by Commission for Agricultural Cost and Prices. The Sugar Industry, on the other hand, see the overpitching of State Advised Price, as a populist measure. The Committee are of the opinion that the dichotomy between State Advised Price and Statutory Minimum Price strain the Industry so much so that they are not able to realise break even point, resulting in uneconomic working of sugar industry and consequent accumulation of cane arrears. It is, therefore, desirable that a proper cohesion between these prices ought to be established. The Committee are also of the view that the present system of exercising dual authority one by the Centre in fixing Statutory Minimum Price and the other by the State Government in determining State Advised Price, without assuming responsibility for later consequences must be given up in larger interest. The Committee, therefore, recommend that a National Sugarcane Price Policy should be evolved.

7. The Committee find that Rs. 587, 270 and 672 crores were outstanding against sugar industry as arrears as on 15th April, 1995 during the years 1992-93, 1993-94 and 1994-95, respectively. The representative of Ministry of Food during evidence informed that cooperative sector and State owned sugar mills are the biggest defaulters. The Committee are of the opinion that the menace of arrears is neither in the interest of farming community nor in the interest of industry. The accumulation of dues of farmers will not only dissuade the farmers to opt for another crop leading to shrinkage of area under cane cultivation and consequent shortage of sugar but will also distort inter-crop parity. The Committee are also aware that during crushing season, the industry faces the problems of immediate and ready cash and consequently, the arrears accumulate. For instance, the entire manufacturing cost is required to be incurred within 150-180 days, whereas sales realisation spread throughout the year and beyond. Moreover, the operating expenses, wages etc. get precedence over cane payment. To ease the liquidity position, the Committee, therefore, recommend that need based credit should be provided to the industry on priority basis. Alternatively, the floor price of cane should be paid immediately on delivery of cane and price above it be paid in two equal instalments within one month of the close of the sugar season. The Government should also monitor the arrears position closely and advise the State Governments to gear up their machinery for wiping out arrears, altogether.

8. Although the farmers are entitled to receive interest on delayed payment beyond a period of 14 days, this provision of the Statute is flouted with impunity. Strangely, the returns filed by sugar

entrepreneurs to the Ministry of Food do not account for amount accrued as interest. The Committee, therefore, recommend that sugar factories should be asked to furnish details of interest paid separately.

9. The Committee fail to understand the rationale of calculating the interest on delayed payments on the basis of Statutory Minimum Price and not State Advised Price although the sugar mills are/have been paying much more than recommended by the Commission for Agricultural Cost and Price as SMP. The Committee, therefore, recommend that the basis of calculation of interest on delayed payment should be computed on the basis of actual price paid and not SMP.

10. The Sugarcane (Control) Order, 1966 provides for reservation of areas/zone. In a reserved area, a factory in that area has the right to purchase cane to the exclusion of any other factory and it has to purchase all the cane offered to it. In an assigned area more than one factory can purchase a specified quantity of cane. The reserved area belongs to the factory concerned whereas an assigned area does not. In several cases villages reserved or allotted to different factories are Interspersed. The reservation orders are generally issued annually resulting in growers not aligning their interest with the factory and the factory turns a Nelson eye to cane development work. The Committee, therefore, recommend that reservation orders with a long-term periodicity may be issued, depending upon the capacities of the factories. This will not only ensure durable planning for cane production in mill areas but would also facilitate execution of presowing agreement between factories and cane growers.

11. The Committee note that Sugarcane (Control) Order regulates the production and distribution of sugarcane. Although the farmers are obliged to deliver a quantity of cane, determined by the contract with the mills through the growers' Union/Society and incur a penalty if they do not observe the contract, but in actual practice, the penalty is lower than the gains from selling cane to the Gur and Khandsari units. The mills, seldom involve the penalty clause as the number of defaulters is large and they are afraid of alienating a large number of farmers. The Committee, therefore, recommend that provisions contained in Sugarcane (Control) Order, should be implemented in letter and spirit, so that neither farmers nor sugar mills are put to loss.

12. The Committee note that sugarcane harvesting practice differs from State to State. In the Northern States, harvesting is done by farmers on the basis of indents placed by cane cooperative Societies/ Unions. However, the sugar cooperatives notably in States like

Maharashtra and Gujarat, undertake harvesting and transportation themselves. In the absence of direct link between farmers and factory management, harvesting is a neglected area. The cane survey/ sampling, delivery schedule and maturity based harvesting is also non-existent in sugar industry other than cooperatives, thereby resulting in loss of recovery and yield. The Committee are of the opinion that maintaining appropriate age of the sugarcane at harvest is important both for the farmers and millers. The Committee, therefore, recommend that Government should ensure that entrepreneurs undertake cane sampling, devise delivery schedule and conduct harvesting. The expenses incurred on these activities should be included in production cost of sugar, reimbursable to them.

13. Certain malpractices were brought to the notice of the Committee. For instance, the farmers incur heavy losses due to improper and under weighment of sugarcane. Cartloads of sugarcane are seen at the factory gate without any civic amenties being extended to them. The Committee, therefore recommend that surprise checks be conducted by State agencies by involving Directorate of Weights and Measures to ensure use of standardised weighing instruments. The sugarcane is a highly perishable commodity as the recovery and sucrose level drops, if it is processed after a period of 16 hours. To obviate such eventualities, it is recommended that waiting charges should be paid by the factory management after 8 hours.

14. The Sugarcane is required to be crushed within 16 hours of harvesting. As the sugarcane is hauled from distant areas, with virtually no rural roads, this condition is seldom met, leading to deterioration of sugar and poor recovery. The Committee, therefore, recommend that sugar factory management should construct roads in the mill areas, so as to facilitate smooth and speedy movement of sugarcane. For this, a matching grant should be made available to them from Sugar Development Fund.

15. At present, the marketing of cane is effected through the institution of cane cooperatives/societies in Northern parts of the country. Besides marketing, disbursement of credit and other inputs, development works are also undertaken by them. The Committee note that these societies were set up initially to safeguard the interests of farmers against exploitation by middlemen and to improve the development work. However, these societies have failed in ameliorating the problems of cane growers, so much so that the development work has come to standstill. In the opinion of the Committee the system of procurement by cane unions/society has lost its relevance and they have neither been able to protect against

exploitation nor have been able to supplement the efforts of sugar units to undertake cane development activities. According to Government's own admission, the system of distribution of harvest challan by cane union/societies have also led to various malpractices. The Committee, therefore, recommend that there should be direct linkage between farmers and sugar factory management and desirability or otherwise of these societies/unions be re-examined. The Committee should be apprised of the outcome of this re-examination.

16. In terms of Sugarcane (Control) Order, 1966, the Khandsari industries are required to pay Statutory Minimum prices. This price is either approved by Central Government or fixed by Central Government. It has, however, been observed and even admitted by an apex Khandsari Organisation that they do not pay Statutory Minimum Price and their rates fluctuate with rise in recovery percentage. The Committee view this with concern and recommend that in order to protect the interests of cane growers, Statutory Minimum Price should be paid by Khandsari industry also. In this regard, the provisions contained in the Sugarcane (Control) Orders, 1966 be implemented more vigorously by the States concerned.

17. The problem of rationale and equitable distribution of available sugarcane to Sugar, Gur, and Khandsari industry is not only significant for stabilising the sugar industry but also in maintaining reasonable prices for these commodities. At present, less than 50 per cent cane goes to sugar industry and rest to Khandsari and Gur industry. The imbalance amongst these sectors become acute in times of scarcity, as happened during the 1993-94 sugar season. Surprisingly, the sugar policy does not take into account the role played by Gur and Khandsari sector in meeting the sweetening requirement; although this sector has been playing a dominant role in the economy of sugar. The Committee are of the opinion that there should be coherent and harmonious relationship amongst these sectors and the Government should evolve an integrated policy on sugar, taking into consideration the vital role these sweetening agents play in the sugar scenario.

18. Funds are made available from Sugar Development Fund for undertaking *inter-alia* schemes like development of sugarcane and rehabilitation and modernisation of sugar mills. As on 31st March, 1995, More than Rs. 740 crores accumulated in the fund as undisbursed. As much as Rs. 3 crores is sanctioned to sugar unit for carrying cane development activity and only 62 per cent units could utilise the amount fully. Similarly, only 138 units have gone in for modernisation/expansion package and another 286 units have failed

to take the benefit of the schemes. The Committee was informed that poor recovery rate and procedural and operational difficulties have acted as an impediment in the implementation of the scheme. The Committee, therefore, recommend that concerted effort should be made to step up recovery rate so that the scheme is not starved of the funds. The Committee also recommend that operational and procedural obstacles coming in the way of scheme, should also be removed.

19. The Committee further note that SDF authorities meet 90 per cent cost of cane Development project, the rest being contributed from the sugar unit. Although the monitoring of progress of scheme is undertaken by State agencies but hardly any attention is paid on carrying out developmental activities. The Committee was informed that funds from SDF do not percolate to the ultimate beneficiaries *i.e.*, the farmers and as result development work has come to grinding halt. The Committee view this with concern and recommend that SDF authorities should concurrently review the progress of the scheme so that benefit of the scheme is realised fully. To channelise cane development work, an agency consisting of cane growers, representatives of Management of sugar units and State Governments—should also be constituted to carry out integrated development programme.

20. The Committee are happy to note that new schemes such as co-generation have been included under the ambit of Sugar Development Fund. The Committee are of the view that by-products of sugarcane have immense potential and are an important source of fodder, fuel and for a host of other chemical industries. The Committee, therefore, recommend that more schemes for by-product development, automation should also be included under the purview of Sugar Development Fund.

21. The Indian sugar industry is functioning within the parameters set up by the Government. It is one of the most over regulated and excessively controlled industry and has to work within a structure of all encompassing government dictates which determine everything from location of a mill, to price of raw material/and products and even distribution. This restricted policy has inhibited the creation of capacity of international standard. The policy favours capacity of 2,500 TCD when compared with global standard of 10,000 TCD. With the globalisation of Indian economy, under which licensing has been restricted to strategic industries only, there seems little justification of bracketing this industry with other scheduled industries. The licencing system has given monopoly to the existing mills over growing areas and hence there is very little incentive to

improve extension services and raise yields. It has also afforded protection to many aged and inefficient units. Moreover, licensing system often lacks transparency, is open to favouratism, nepotism and breeds corruption. For instance the basic criteria governing issuanace of new licences, *i.e.* cane availability and potential for cane development, has been misused. Cases are not few where even new sugar units have failed to commence production owing to non-availability of sugarcane. The argument putforth by Food Secretary that assumptions on which potential for cane development were assessed later on proved to be wrong, is hardly convincing. The Committee are of the opinion that in such cases licenses had been issued on considerations other than techno-feasibility merits.

22. The Committee are of firm view that the industry is now resilient strong enough to free itself from clutches of 'Licence Raj'. With delicensing, there would be competition which will ensure aggressive farm extension and technology upgradation thereby increasing yield. The Committee, therefore, recommend that the industry be delicensed. To avoid over-crowding and to ensure accessibility of sugarcane to all sugar units, registration of mill with Central Government prior to setting up of new units, should be made compulsory. The Committee hope that sugar entrepreneurs will leave no stone unturned in providing remunerative price to farmers and extend all possible incentives to their respective group of farmers for upgrading extension services, inputs and thereby improve crop yield.

23. At present the average crushing capacity is 1700 t.c.d., which is abysmally low as compared to economic threshold limit of 2500 t.c.d. The expansion schemes are regulated through the mechanism of licensing system. For effecting expansions, the entrepreneurs had to pass through rigorous licensing formalities leading to delays and consequently resulting in shortage of sugar. The Committee are of the opinion that expansion schemes are less capital intensive and can be implemented in a short span as compared to setting up of new sugar mills. The Committee, therefore, recommend that entrepreneurs should be encouraged to attain standards of international levels in creating capacity and expansion scheme should be free from Government control. This will also facilitate the sugar unit to go in for cane development schemes more vigorously.

24. With the objective of timely detection of sick and potentially sick companies, the Sick Industrial Companies (Special Provisions) Act was enacted in 1985. The Act has created BIFR, a statutory body for taking appropriate measures for rehabilitation of sick and

potential sick units under cooperative sector. The Act, however, is not applicable to cooperatives. As more than sixty per cent of sugar is produced in the cooperative sector and a number of them is reeling under red, an analogous authority should be created with powers to determine, prevent, ameliorate and take remedial measures for rehabilitation of cooperative mills.

25. The Committee note that old and obsolete technology has been bane of sugar industry. The Committee appreciate that Sugar Technology Mission Project have been launched to upgrade the technological status of Indian Sugar Industry. The Committee hope and trust that STM will provide necessary impetus in reducing the production cost and country will be able to achieve technological level of international standard.

26. Factors like inadequate availability of sugarcane, imbalances in plant capacity, obsolete plant and machinery, management inefficiencies and lack of modernisation have contributed to sickness in sugar industry. The Food Secretary during evidence informed the Committee that not only old units but new units too have become sick. The high incidence of sickness can be gauged from the fact that as many as 34 out of 291 sugar factories in private/public sector did not commence production in the year 1993-94, of which 9 were chronically ill and as many as seven factories could not operate due to lack of cane and 23 stood referred to BIFR. The Committee view this with concern and recommend that steps should be taken to revive these mills expeditiously. The Committee would also like to be apprised of the extent of loss suffered by cane growers and compensation paid, if any, to farmers on account of non-acceptance of sugarcane by these sick mills.

27. The average gestation period for setting up of new units and expansion projects is four and three years, respectively. As on 30 June, 1995, 75 and 34 letters of intent were issued for setting up new units and undertaking expansion. The Committee are pained to note that 11 letters of intent for new units and 6 for expansion were lapsed on account of unsatisfactory progress. One of the reasons cited for slow progress of these projects was non-availability of funds by Central Financial Institutions and NCDC. These institutions held back financial assistance on account of outstanding dues of these financial institutions on some of the other cooperative sugar mills. Similarly, NCDC had also delayed the disbursement of loans on the grounds on non-constitution of Committee of Management, requirement of financial restructuring, deferment of purchase tax etc. The Committee do not concur with the argument putforth by these financial institutions and are of the view that cooperative societies are separate autonomous body and hence there is no

justification either for delaying or refusing the funds by these financial institutions. To obviate cost escalation and time over-run, the Committee recommend that timely credit should be made available to them. The Committee have observed that only 57 per cent of the installed capacity has been realised. Taking into consideration the five per cent annual growth rate in consumption of sugar, the snail's pace at which new capacities and expansion/ modernisation projects are being commissioned and the imbalance in drawal rate of sugarcane among Sugar, Gur and Khandsari, sectors, the Committee fear that the targets setforth in the Eighth Five Year Plan may not be materialised. The Committee therefore recommend that monitoring of progress of new/expansion should be done closely and in the event of unsatisfactory progress, the licences should be cancelled.

28. The sugar industry is a highly capital intensive industry requiring as much as Rs. 50 crores for setting up a new unit. To ensure repayment of term loans obtained from financial institutions and to meet the debt equity ratio prescribed by them, the incentive schemes were formulated whereunder surplus funds generated were to be utilised for repayment purpose. For instance, the latest incentive scheme for high recovery area envisages 100 per cent exemption from levy obligation for 8 years in case of the new sugar units/ restructured units. For expansion projects, the exemption entitlement is for 5 years. In regard to other recovery areas, there is no levy obligation for 9 and 6 years for new/expansion sugar projects. As a result, a new sugar unit/expanded/restructure unit is totally free from servicing PDS for levy requirement of sugar. The Committee are of the view that old/unexpanded/unrestructured units are already under stress due to uneconomic viability conditions and even then they are required to meet the levy conditionality of Public Distribution System. On the other hand, the new units/restructured units etc. which are technologically far more superior, have been given such exemption. The Committee have thus come to a conclusion that much of the distortions in the sugar industry has been on account of liberal incentive of free sale quota. The Committee are of the view that new units ought to be encouraged but it should no be at the cost of old and unexpanded sugar units. The Committee, therefore, recommend that Government should not exempt any sugar mill from levy obligation under any circumstances and instead give excise rebate as an incentive to new and restructured and expansion projects so that Public Distribution System do not collapse for want of adequate suger quota.

29. Making sugar available at reasonable price to vulnerable section of society, through the institution of Public Distribution

System, is a national commitment. To serve this objective, dual policy of sugar is under operation where 40 per cent of total production of each sugar is appropriated by Government at price determined by BICP for distribution through a network of fair price shops. The Committee are of the view that this policy has stood the test of time and has ensured adequate availability at fair prices to the consumers. The Committee, therefore, recommend continuation of decontrol policy in the interest of consumers. It has been brought to the notice of the Committee, the large scale leakage of levy sugar into open market is taking place, thus defeating the very purpose for which Public Distribution System has been commissioned. The operational responsibility to maintain PDS is the concern of State Governments. The Committee, therefore, would like to emphasis that State agencies should be impressed upon to gear up their machinery to plug such loopholes.

30. The instrument of sugar release mechanism has been devised to regulate price of free sale sugar. The freesale release orders are issued each month, in advance directing sugar factories to sell specific quantity of sugar (at present 60%) out of the production of a season. The quantity is determined taking into consideration the production, stock, requirement, prevailing price levels and availability of other sweetners. The levy price of sugar determined by BICP is below the cost of production. As the sugar factories also meet levy requirement of Public Distribution System, the loss suffered by them is off-set by way of higher realisation in the open market. The Committee note that there has been increase in tendency to stagger release quota which results in buoyancy in price. The Committee, therefore, recommend that to ensure steady price line, one time quota of a longer periodicity should be announced. At times, some of the sugar units facing liquidity are given higher release order. However, there exists no criteria/yardsticks on which such releases are made. The Committee are of the opinion that in the absence of any guidelines to this effect the chance of manipulating the release order is not ruled out. In order to impart transparency in determing release of quota of a sugar unit, the Committee recommend that Government should evolve/frame guidelines for the purpose.

31. The Committee note that population figure of 1.10.1986 forms basis of allocation of levy sugar which is 425 grammes per capita per month. Since then there has not been any upward revision, although the population and number of card holders have risen manifold, resulting in inability of State Governments, to meet the upsurge in requirement of their citizen in full. Moreover, many a times, sugar units have refused to order delivery of levy sugar owing to non-operation of unit, closure, exemption from levy or

non-availability of stock of particular season's production, thereby putting P.D.S. under severe strain. The Committee are of the view that as availability of sugar has improved considerably, there is a need to redefine the norms at which levy sugar are allotted to States. The Committee, therefore recommend that States should be allotted levy sugar on actual population basis and norms for allocation be revised at regular intervals.

32. The cyclic trend in output is an unique characteristic of sugar industry. Whereas 1993-94 saw production dwindling and consequent imports, the sugar year 1994-95 ended with burgeoning stocks, having a record production of 145 lakh tonnes. With the consumption level steady at 120 lakh tonnes and carryover stock of the order of 27 lakh tonnes the availability position of sugar has improved considerably. The Committee are of the view that the situation arising out of plenty can be tackled on long and permanent basis through the export and buffer stocking policy. Whereas on one hand the buffer stock can be used as an instrument of intervention in domestic market and also to ensure permanent presence in export market and on the other hand, it will improve the liquidity position of sugar factories through immediate release of margin money as per normal banking practice. It came out during evidence that in 1992-93 sugar season, a buffer stock of 5 lakh tonnes remained operational only for six months and due to fall in production it was dispensed with. The Food Secretary did admit the desirability of having buffer stock but advocated its creation from our own production. Even though sugar units have to shell Rs. 9 per quintal as cess for building and maintaining buffer stock under Sugar Development Fund, on the contrary no buffer stock exist. The Committee, therefore, recommend the creation of buffer stock at an early date. The Committee also recommend that stock limit for a trader be increased from 500 quintal at present to 1000 quintal. Similary, the turn over period be enhanced from 15 days at present to one month. The Committee also recommend that licenses for undertaking trading be dispensed with and only registration system be introduced.

33. The Committee note that country had created a niche for itself in export market, substantially in 1991, 1992 and 1993 but this position has been lost due to unrealiability and disturbed supply of sugar in the export market. There is no reason why the country should not be a exporter, despite being number one in sugar production. The Committee are of the view that smooth outflow of a commodity is dependent upon the infrastructural facilities available at the ports. To ensure prompt trans-shipment, the port facilities

should be augmented. It is intriguing to note that the only nominated agency to undertake export is Indian Sugar and General Industry Export Import Corporation Ltd. The Committee are of the opinion that in the changed scenario, State Governments, farmers and traders should also be free to go in for export-import.

34. The Khandsari industry is a cottage and village industry providing employment to rural folk. It is, therefore, imperative that all encouragement and incentives should be extended to this vital sector. The Committee note that licencing and regulation of gur and khandsari industry is within the purview of State Governments. The use of obsolete and outdated technology in the manufacturing process is the bane of khandsari industry. For instance, the recovery rate of khandsari is merely 7% as compared to 10.5% obtaining in case of sugar mills. The Committee are constrained to note that no systematic efforts either by Centre or by State Govts. have been made to improve technological status of this industry so much so that no R & D institute at National/State level exists. The Committee, therefore, recommend that Institute of Sugarcane & Sugar Technology being set up at Mau, should also be entrusted with the task of undertaking R & D on khandsari and Gur. The demand of the khandsari sector for permission to use vacuum pan technology has not been agreed to by the Government on the grounds that it will result in extending all regulations which sugar industry is subjected to. In view of the fact that khandsari play dominant role in the economy of rural India, the Committee recommend that khandsari industry be allowed to use vacuum pan technology and at the same time should be exempted from all the controls/regulations being enforced on sugar units.

35. The processing of sugarcane not only yield sugar but a host of by-products. The sugar industry is becoming highly competitive and will not be able to compete in international market unless by-products of this industry are properly utilised. The conversion of by-products into value-added products will not only improve economics of sugar production but will also enlarge the rural industrial base and offer employment opportunities. The Committee are of the view that considering the immense potential of sugarcane as food, fuel and fodder, the industry should diversify by utilising the by-products *i.e.* bagasse, molasses and press-mud etc. The bottom line of sugar mills will improve only if integrated downstream units, including distillery, chemicals, particle board and co-generation units are established. The sugar complexes will serve as growth centres. The Committee, therefore, recommend that by product development should be given all encouragements and incentives

fiscal and otherwise, and Financial Institutions and NCDC should also finance sugar complexes.

36. The Committee are happy to find that States like Tamil Nadu and Karnataka have started generating power from bagasse, a by-product of sugarcane. The sugar industry has potential to generate as much as 3000 megawatt of power which can be supplied to national power grid. It came out during the course of examination by the Committee that only 1 to 2% of bagasse is being saved and rest is being used for firing the boiler of the sugar unit. The Committee are of the opinion that bagasse has enormous potential for co-generation and it should be harnessed in a most efficient manner to produce power. The Committee at the same time recommend that State Electricity Board should guarantee purchase of all surplus power so generated by bagasse, at an uniform price with reasonable returns. The Committee, therefore, recommend that all encouragement and incentives-fiscal and otherwise should be extended for utilising bagasse as a source of electricity.

NEW DELHI;
December 21, 1995
30 Agrahayana, 1917 (Saka)

SHYAM BIHARI MISRA,
Chairman,
Standing Committee on Food, Civil Supplies and Public Distribution.

PART C

ANNEXURES

ANNEXURE I

(*Vide* Para 2 of the Composition)

COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (1994-95)

CHAIRMAN

Shri Shyam Bihari Misra

MEMBERS

Lok Sabha

2. Shri B.M. Mujahid
3. Shri G. Devaraya Naik
4. Shri N.J. Rathava
5. Shri Avtar Singh Bhadana
6. Dr. (Smt.) Padma
7. Shri A. Jayamohan
8. Shri Anandagajapati Raju Poosapati
9. Shri Pawan Diwan
10. Shri V. Krishna Rao
11. Shri Bijoy Krishna Handique
12. Shri Gopi Nath Gajapathi
13. Shri Naresh Kumar Baliyan
14. Shri D.J. Tandel
15. Dr. Ramkrishna Kusmaria
16. Shri Chhotey Lal
17. Shri Pankaj Chaudhari

18. Shri Kabindra Purkayastha
19. Prof. Ram Kapse
20. Shri Lal Babu Rai
21. Shri Shashi Prakash
22. Shri Ram Awadh
23. Shri Syed Masudal Hossain
24. Shri Ramchandra Marotrao Ghangare
25. Shri Manoranjan Sur
26. Dr. (Smt.) K.S. Soundaram
27. Shri Chhote Singh Yadav
28. Shri Birsingh Mahato

Rajya Sabha

29. Shri Sunder Singh Bhandari
30. Smt. Mira Das
31. Shri B.V. Abdulla Koya
32. Shri Sudhir Ranjan Majumdar
33. Shri Tara Charan Majumdar
34. Shri Moolchand Meena
35. Shri Venod Sharma
36. Shri Jagannath Singh
37. Shri Tindivanam G. Venkatraman
38. Shri Ramendra Kumar Yadav 'Ravi'
39. Shri Kanaksinh Mohansinh Mangrola
40. Smt. Chandra Kala Pandey
41. Smt. Vyjayantimala Bali

ANNEXURE II

(*Vide* Para 1.3 of the Report)

AREA UNDER SUGARCANE ('000 HECTARES)

Region	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94(F)	1994-95(A)
Uttar Pradesh	1543	1490	1678	1801	1761	1761	1855	1933	1857	1774	1774
Bihar	112	119	112	120	127	125	149	145	133	120	232
Punjab	79	78	97	106	97	103	101	109	112	77	91
Haryana	124	106	124	142	131	126	148	161	134	111	141
West Bengal	13	13	12	11	16	15	12	17	15	10	10
Rajasthan	31	26	29	27	16	16	23	31	24	21	19
Madhya Pradesh	43	37	46	47	44	39	39	46	39	49	50
Orissa	57	58	45	42	47	47	49	43	16	13	50
Assam	53	48	45	43	42	39	36	38	40	36	48
Maharashtra	292	255	280	292	314	383	444	453	404	344	480
Gujarat	103	91	69	82	94	106	118	120	127	128	125
Andhra Pradesh	138	133	138	143	154	158	182	202	171	175	202
Tamil Nadu	169	191	196	195	221	232	233	238	216	262	225
Karnataka	172	171	181	202	240	265	272	285	, 262	245	215
Kerala	8	8	8	8	8	8	8	8	6	6	8
Delhi	N	N	N	N	--		--				--
Himachal Pradesh	3	3	3	3	3	3	3	2	2	2	2
Tripura	2	2	2	2	2	2	2	2	2	2	$
Jammu & Kashmir	1	1	1	1	1	N	N	N	N	N	1
Pondicherry/Goa, Daman & Diu	4	5	5	6	5	4	5	5	5	4	$
Mizoram	1	N	1	1	N	N	1	1	1	1	$
Meghalaya	N	N	N	N	N	N	N	N	N	N	$
Nagaland	3	3	3	3	3	4	4	3	4	4	$
Manipur	2	1	3	2	2	2	2	2	2	2	$
Andaman & Nicobar Islands	N	N	N	N	1	N	N	N	N	N	$ ($g adds upto 15)
ALL INDIA	2553	2849	3079	3279	3329	3438	3686	3844	3572	3386	3688

N—NEGLIGIBLE F—FINAL ESTIMATES A—ADVANCE ESTIMATES

ANNEXURE III

(*Vide* Para 1.3 of the Report)

STATEMENT SHOWING PRODUCTION OF SUGARCANE ('000 TONNES)

Region	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94(F)	1994-95(A)
Uttar Pradesh	70888	73037	84736	93054	88523	97422	103562	11098	102929	104839	108000
Bihar	3737	4001	3729	4546	5483	6694	7805	7076	6031	4398	5022
Punjab	4920	5050	6110	5820	6000	6500	6000	6920	6369	4710	5500
Haryana	5190	5150	6740	5240	6580	6750	7800	9000	6550	6420	9000
West Bengal	770	812	757	692	1162	1031	859	969	889	596	1200
Rajasthan	1369	1009	1291	948	686	716	1203	1361	1129	1020	800
Madhya Pradesh	1390	1218	1646	1604	1644	1372	1392	1646	1325	1725	1725
Orissa	3700	3700	2786	2786	3200	3325	3549	2745	754	781	3800
Assam	2687	1971	2117	1883	1864	1666	1522	1454	1548	1374	2000
Maharashtra	26367	23706	24091	24984	25500	34008	38416	36187	30853	27892	37000
Gujarat	7382	6490	5566	6078	7907	9160	10600	10239	10872	10232	10630
Andhra Pradesh	9791	9675	8808	9490	10767	11134	12667	15057	12163	13553	13566
Tamil Nadu	17594	20005	21605	20766	23768	23445	23480	24887	23064	27575	26640
Karnataka	13392	13815	14854	17580	18733	21210	20964	24117	22480	20884	19380
Kerala	428	426	412	562	538	533	543	547	428	448	600
Delhi	N	N	N	N	N	—	—	—	—	—	—
Himachal Pradesh	48	27	27	20	20	30	32	28	29	26	26
Tripura	73	65	69	72	81	88	91	77	69	72	$
Jammu & Kashmir	24	18	17	11	22	18	18	12	11	11	20
Pondicherry/Goa, Daman & Diu	216	350	540	379	332	257	340	374	267	244	$
Meghalaya	7	5	5	4	3	2	2	2	2	2	$
Mizoram	4	3	6	3	6	7	2	5	6	6	$
Manipur	60	19	72	95	74	55	63	49	59	59	$
Nagaland	81	96	106	119	129	130	130	140	200	188	$
Andaman & Nicobar Islands	1	N	N	1	15	16	5	5	6	4	$ ($s adds upto 700)
ALL INDIA	170319	170648	186090	196737	203037	225569	241045	253995	228033	227059	245609

N—Negligible F—Final Estimates A—Advance Estimates

ANNEXURE IV

(*Vide* Para 1.3 of the Report)

STATEWISE YIELD OF SUGARCANE (PER HECTARE)

State/Union Territory	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
Uttar Pradesh	45.9	49.0	50.5	51.7	50.3	55.3	55.8	57.5	55.4	59.1
Bihar	33.4	33.6	33.3	37.9	43.2	53.7	52.5	48.8	45.4	36.7
Punjab	62.3	64.7	63.0	54.9	61.9	63.1	59.4	63.5	56.9	61.2
Haryana	41.9	48.6	54.4	36.9	50.2	53.6	52.7	55.9	48.9	57.6
West Bengal	59.2	62.5	63.1	62.9	72.6	68.3	70.4	57.0	57.7	57.8
Rajasthan	44.2	38.8	44.5	35.1	42.9	45.9	52.8	43.9	46.5	49.5
Madhya Pradesh	32.2	32.9	35.7	34.1	37.4	35.4	35.3	35.7	34.0	35.4
Orissa	64.9	63.8	61.9	66.3	68.1	70.0	72.4	63.8	47.1	58.3
Assam	507	41.1	46.0	43.8	44.4	42.9	42.5	38.5	38.8	38.4
Maharashtra	90.3	89.5	86.0	85.6	81.2	88.8	86.5	79.9	76.4	81.1
Gujarat	73.6	71.3	80.7	74.1	84.1	86.4	89.6	85.2	85.5	79.7
Andhra Pradesh	70.9	72.7	63.8	66.4	69.9	70.4	69.5	74.5	71.1	77.3
Tamil Nadu	104.7	104.7	110.2	106.5	107.6	101.2	100.8	104.6	107.0	105.4
Karnataka	77.9	80.8	82.1	87.0	78.1	80.1	77.0	84.6	86.00	85.4
Kerala	53.5	53.3	51.5	70.3	67.3	65.0	67.9	68.4	69.1	80.0
Delhi.	—	—	—	—	—	—	—	—	—	—
Himachal Pradesh	16.0	9.0	9.0	6.7	6.7	10.0	12.7	13.4	13.0	10.9
Tripura	36.5	32.5	34.5	36.0	40.5	44.0	47.9	38.5	46.0	45.1
Jammu & Kashmir	24.0	18.0	17.0	11.0	22.0	18.0	18.0	12.0	12.0	12.0
ALL INDIA	57.7	59.9	60.4	60.0	61.0	65.6	65.4	66.1	63.8	67.1

ANNEXURE V

STATEMENT SHOWING THE STATEWISE POSITION OF CANE PRICES PAYABLE, PRICE PAID AND BALANCE OUTSTANDING FOR CANE PURCHASED DURING 1994-95 SEASON UPTO AS WELL AS ARREARS OF CANE PRICE AS ON 15/04/1995

(Figures in lakh Rs.)

State	Total Price Payable for Cane Purchased during 1994-95 Upto 15/04/95	Cane Price Paid upto 15/04/95	Balance Cane Price Payable As on 15.04.95	%age of Balance Price Payable Over Total Payable
Punjab	21908.13	21288.63	619.50	2.83
Haryana	20637.87	18432.15	2205.72	10.69
Rajasthan	1176.04	879.61	296.43	25.21
East UP	71445.91	66680.37	4765.54	6.67
Central UP	75253.96	65317.84	9936.12	13.20
West UP	46853.80	36384.87	10468.93	22.34
Total UP	193553.67	168383.08	25170.59	13.00
Madhya Pradesh	3130.20	1996.55	1133.65	36.22
South Gujarat	23355.73	22380.95	974.78	4.17
Saurashtra	1639.52	1261.71	377.81	23.04
Total Gujarat	24995.25	23642.66	1352.59	5.41
South Maharashtra	57369.87	54878.12	2491.75	4.34
North Maharashtra	35287.08	30791.62	4495.46	12.74
Cent. Maharashtra	64327.31	60486.34	3840.97	5.97
Total Maharashtra	156984.26	146156.08	10828.18	6.90
North Bihar	21812.50	13223.74	8588.76	39.38
South Bihar	0.00	0.00	0.00	0.00
Total Bihar	21812.50	13223.74	8588.76	39.38
Assam	380.90	380.88	0.02	0.01
Andhra Pradesh	33363.99	28793.04	4565.95	13.69
Karnatka	51796.36	43091.17	8705.19	16.81
Tamil Nadu	58780.30	55841.73	2938.57	5.00
Kerala	279.58	279.58	0.00	0.00
Orissa	2176.62	2001.52	174.10	8.00
West Bengal	528.57	389.71	138.86	26.27
Nagaland'	0.00	0.00	0.00	0.00
Pondicherry	3000.04	2632.75	367.29	12.24
Goa	1006.26	897.63	108.63	10.80
ALL INDIA :	595509.64	528315.61	67194.03	11.28

ANNEXURE VI

SIX YEARS' COMPARISON

STATEMENT SHOWING CANE PRICE ARREARS AS ON 15/04/95 DURING THE CURRENT AND FIVE EARLIER SEASONS

(Rs. in crores)

Season	Position As on	Total Price Payable	Total Price Paid	Arrears	% of Arrears on Price Payable
1994-95	15/04/95	5955.10	5283.16	671.94	11.3
1993-94	15/04/94	4211.84	3941.53	270.31	6.4
1992-93	15/04/93	3643.97	3056.22	587.75	16.1
1991-92	15/04/92	3581.70	2930.92	650.78	18.2
1990-91	15/04/91	3170.31	2761.73	408.58	12.9
1989-90	15/04/90	2876.65	2602.05	274.59	9.6

ANNEXURE VII

MONTH-WISE RELEASE OF SUGAR

(Figures in Lakh Tonnes)

		1990-91					1991-92		
S.No.	Month	Levy	Free Sale	Total	S.No.	Month	Levy	Free Sale	Total
1.	October	3.83	6.25	10.8	1.	October	4.02	7.50	11.52
2.	November	3.33	6.00	9.33	2.	November	3.84	6.50	10.34
3.	December	3.33	5.75	9.08	3.	December	3.50	5.90	9.40
4.	January	3.33	5.75	9.08	4.	January	3.50	5.50	9.00
5.	February	3.33	5.75	9.08	5.	February	3.50	5.45	8.95
6.	March	3.33	5.75	9.08	6.	March	3.50	5.45	8.95
7.	April	3.33	5.60	8.93	7.	April	3.50	5.40	8.90
8.	May	3.33	5.60	8.93	8.	May	3.50	5.55	9.05
9.	June	3.33	6.25	9.58	9.	June	3.50	5.75	9.25
10.	July	3.33	6.25	9.58	10.	July	3.50	5.75	9.25
11.	August	3.61	6.50	10.11	11.	August	3.54	6.15	9.69
12.	September	3.50	6.50	10.00	12.	September	3.74	6.15	9.89
TOTAL		40.91	71.95	112.86		TOTAL	43.14	71.05	114.19

		1992-93					1993-94		
S.No.	Month	Levy	Free Sale	Total	S.No.	Month	Levy	Free Sale	Total
1.	October	4.12	7.35	11.47	1.	October	3.92	7.00+0.06	10.98
2.	November	3.53	6.50	10.03	2.	November	3.66	7.20+0.17	11.03
3.	December	3.51	6.20	9.71	3.	December	3.52	6.10+0.27	9.89
4.	January	3.51	5.35+0.10	8.96	4.	January	3.51	5.75	9.26
5.	February	3.51	5.50+0.63	9.64	5.	February	3.52	5.65	9.17
6.	March	3.54	6.50+0.40	10.44	6.	March	3.50	6.00	9.50
7.	April	3.51	6.50+0.74	10.75	7.	April	3.36	5.40+0.05	8.81
8.	May	3.51	6.50+0.52	10.53	8.	May	3.34	4.90	8.24
9.	June	3.51	6.75+0.18	10.44	9.	June	3.36	5.60	8.96
10.	July	3.56	6.30+0.13	9.99	10.	July	3.36	6.00	9.36
11.	August	3.55	6.20+0.09	9.84	11.	August	3.40	5.75	9.15
12.	September	3.81	6.20+0.14	10.15	12.	September	3.65	5.75	9.40
	TOTAL	43.17	75.85+2.93 78.78	121.95		TOTAL	42.10 + 0.55	71.10	113.75

MONTH-WISE RELEASE OF SUGAR

1994-95

S.No.	Month	Levy	Free Sale	Total
1.	October	3.80	6.75+0.225	10.80
2.	November	3.49	6.75+0.25	10.49
3.	December	3.37	6.10	9.47
4.	January	3.77	5.75	9.52
5.	February	3.88	5.75	6.93
6.	March	3.65	6.15	9.80
7.	April	3.37	6.30	9.67
8.	May	3.36	6.70	10.06
9.	June	3.27	7.00	10.27

APPENDIX

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 20TH SEPTEMBER, 1994

The Committee sat from 3.00 Hours to 6.05 Hours on 20th September, 1994.

PRESENT

Shri Shyam Bihari Misra—*Chairman*

MEMBERS

Lok Sabha

2. Shri N.J. Rathava
3. Shri V. Krishna Rao
4. Shri Bijoy Krishna Handique
5. Shri Naresh Kumar Baliyan
6. Shri Chhotey Lal
7. Dr. Ramkrishna Kusmaria
8. Prof. Ram Kapse
9. Shri Lal Babu Rai
10. Shri Shashi Prakash
11. Shri Ram Awadh
12. Shri Manoranjan Sur
13. Shri Chhote Singh Yadav
14. Shri Birsingh Mahato

Rajya Sabha

15. Shri Nagmani
16. Shri Tara Charan Majumdar
17. Shri Moolchand Meena
18. Shri Tindivanam G. Venkatraman
19. Shri Ramendra Kumar Yadav 'Ravi'
20. Smt. Vyjayantimala Bali

SECRETARIAT

1. Shri S.C. Gupta — *Joint Secretary*
2. Shri T.R. Sharma — *Deputy Secretary*
3. Shri K.L. Anand — *Under Secretary*

WITNESSES FROM INDIAN SUGAR MILLS ASSOCIATION

1. Shri V.K. Goel, President, ISMA
2. Shri Tilak Dhar, Chief Executive, ISMA
3. Shri D.D. Puri
4. Shri S.L. Jain
5. Shri Yatin Wadwana
6. Shri Vikram Raina
7. Shri V.K. Jain

At the outset, the Chairman welcomed the representatives of Indian Sugar Mills Association, New Delhi, to the Committee's meeting. The Committee, then proceeded to discuss with them the various points arising out of List of Points which were replied to by the witnesses.

A verbatim record of the proceeding was kept.

The Committee then adjourned.

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 21ST SEPTEMBER, 1994

The Committee sat from 11.00 Hours to 13.20 Hours on 21st September, 1994.

PRESENT

Shri Shyam Bihari Misra—*Chairman*

MEMBERS

Lok Sabha

2. Shri N.J. Rathava
3. Shri A. Jayamohan
4. Dr. (Smt.) Padma
5. Shri V. Krishna Rao
6. Shri Bijoy Krishna Handique
7. Shri Gopi Nath Gajapathi
8. Dr. Ramkrishna Kusmaria
9. Shri Chhotey Lal
10. Shri Pankaj Chaudhari
11. Prof. Ram Kapse
12. Shri Lal Babu Rai
13. Shri Shashi Prakash
14. Shri Ram Awadh
15. Shri Manoranjan Sur
16. Dr. (Smt.) K.S. Soundaram
17. Shri Birsingh Mahato

Rajya Sabha

18. Shri Moolchand Meena
19. Shri Kanaksinh Mohansinh Mangrola
20. Smt. Chandra Kala Pandey

SECRETARIAT

1. Shri S.C. Gupta	—	*Joint Secretary*
2. Shri T.R. Sharma	—	*Deputy Secretary*
3. Shri K.L. Anand	—	*Under Secretary*

WITNESSES FROM U.P. GUR KHANDSARI MERCHANTS FEDERATION

1. Shri Bhag Chand Jain	—	*President*
2. Shri Jaiprakash Bansal	—	*Secretary*

At the outset, the Chairman welcomed the representatives of U.P. Gur & Khandsari Merchants' Federation to the Committee's meeting. The Committee, then proceeded to discuss with the representatives the various points out of List of Points which were replied to by the witnesses.

A verbatim record of the proceeding was kept.

The Committee then adjourned.

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 19TH OCTOBER, 1994

The Committee sat from 15.00 Hrs. to 16.00 Hrs. on 19th October, 1994.

PRESENT

Shri Shyam Bihari Misra—*Chairman*

MEMBERS

Lok Sabha

2. Dr. (Smt.) Padma
3. Shri A. Jayamohan
4. Shri Bijoy Krishna Handique
5. Shri Gopi Nath Gajapathi
6. Shri Naresh Kumar Baliyan
7. Shri Chhotey Lal
8. Shri Ram Awadh
9. Shri Syed Masudal Hossain
10. Shri Ramchandra Marotrao Ghangare
11. Shri Manoranjan Sur
12. Dr. (Smt.) K.S. Soundaram
13. Shri Chhote Singh Yadav
14. Shri Birsingh Mahato

Rajya Sabha

15. Shri Sunder Singh Bhandari
16. Shri Moolchand Meena
17. Shri Tindivanam G. Venkatraman
18. Shri Kanaksinh Mohansinh Mangrola

SECRETARIAT

1. Shri S.C. Gupta — *Joint Secretary*
2. Shri T.R. Sharma — *Deputy Secretary*
3. Shri K.L. Anand — *Under Secretary*

WITNESS FROM BHARAT KRISHAK SAMAJ

Dr. Krishan Bir Chaudhary—*Executive Chairman*

At the outset, the Chairman welcomed the representatives of Bharat Krishak Samaj, to the Committee's meeting. The Committee, then proceeded to discuss with the representatives the various points out of List of Points which were replied to by the witness.

A verbatim record of the proceeding was kept.

The Committee then adjourned.

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 20TH OCTOBER, 1994

The Committee sat from 11.00 Hrs. to 15.00 Hrs. on 20th October, 1994.

PRESENT

Shri Shyam Bihari Misra—*Chairman*

MEMBERS

Lok Sabha

2. Dr. (Smt.) Padma
3. Shri Naresh Kumar Baliyan
4. Shri Chhotey Lal
5. Shri Ram Awadh
6. Shri Syed Masudal Hossain
7. Shri Ramchandra Marotrao Ghangare
8. Shri Chhote Singh yadav

Rajya Sabha

9. Shri Sunder Singh Bhandari
10. Shri Moolchand Meena
11. Shri Kanaksinh Mohansinh Mangrola
12. Smt. Chandra Kala Pandey

SECRETARIAT

1. Shri S.C. Gupta — *Joint Secretary*
2. Shri T.R. Sharma — *Deputy Secretary*
3. Shri K.L. Anand — *Under Secretary*

WITNESSES

I. All India Sugar Manufacturers' Association, Kanpur

1. Shri Prem Shankar Pandey — President
2. Shri Ram Bhalotia — Ex. Member
3. Shri Ashok Kumar — Ex. Member
4. Shri R.L. Gupta — Ex. Member

II. National Federation of Cooperative Sugar Factories Ltd.

1.	Shri Shivajirao G. Patil	—	MP and President
2.	Shri Indubhai C. Patel	—	Ex. President
3.	Shri M.S. Marathe	—	Managing Director
4.	Shri B.L. Mahajan	—	Executive Director (Punjab State Federation of Coop. Sugar Mills)
5.	Shri V.M. Bhatnagar	—	Deputy Secretary, NFCSF

At the outset, the Chairman welcomed the representatives of All India Sugar Merchants' Association, Kanpur. The Committee then proceeded to discuss with the representatives the various points out of List of Points which are replied to by the witnesses.

The Committee thereafter discussed with the representatives of National Federation of Cooperative Sugar Factories Ltd. the various points on the subject of sugar.

A verbatim record of the proceeding was kept.

The Committee then adjourned.

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 10TH NOVEMBER, 1994

The Committee sat from 15.00 Hrs. to 16.30 Hrs. on 10th November, 1994.

PRESENT

Shri Shyam Bihari Misra—*Chairman*

MEMBERS

Lok Sabha

2. Shri Naresh Kumar Baliyan
3. Shri Chhotey Lal
4. Shri Shashi Prakash
5. Shri Ram Awadh
6. Shri Syed Masudal Hossain
7. Shri Ramchandra Marotrao Ghangare
8. Dr. (Smt.) K.S. Soundaram
9. Shri Chhote Singh Yadav
10. Shri Birsingh Mahato

Rajya Sabha

11. Shri Sunder Singh Bhandari
12. Shri Nagmani
13. Shri Tara Charan Majumdar
14. Shri Tindivanam G. Venkatraman
15. Shri Ramendra Kumar Yadav 'Ravi'

SECRETARIAT

1. Shri T.R. Sharma — *Deputy Secretary*

WITNESSES

1. Shri R.K. Tandoen — President, U.P. Khandsari Sugar Manufacturers Association, Moradabad
2. Shri H.D. Shourie — Director, Common Cause
3. Shri S. Krishnan — Adviser, Consumer Coordination Council

At the outset, the Chairman welcomed the representatives of Common Cause, a consumer organisation. The Committee then discussed with the representatives the various points out of List of Points which were replied to by the witnesses.

The Committee thereafter discussed with the representatives of U.P. Khandasari Sugar Manufacturers' Association, Moradabad, the various problems confronting the khandsari industry.

A verbatim record of the proceeding was kept.

The Committee then adjourned.

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 13TH JANUARY, 1995

The Committee sat from 11.00 hrs. to 14.00 Hrs. on 13th January, 1995.

PRESENT

Shri Shyam Bihari Misra—*Chairman*

MEMBERS

Lok Sabha

2. Dr. (Smt.) Padma
3. Shri V. Krishna Rao
4. Shri K.J.S.P. Reddy
5. Shri Naresh Kumar Baliyan
6. Shri Pankaj Chaudhari
7. Shri Kabindra Purkayastha
8. Shri Lal Babu Rai
9. Shri Ram Awadh
10. Shri Ramchandra Marotrao Ghangare
11. Shri Manoranjan Sur
12. Dr. (Smt.) K.S. Soundaram
13. Shri Chhote Singh Yadav
14. Shri Birsingh Mahato

Rajya Sabha

15. Shri Sunder Singh Bhandari
16. Shri Nagmani
17. Shri Tara Charan Majumdar
18. Shri Moolchand Meena
19. Shri Jagannath Singh
20. Smt. Chandra Kala Pandey

SECRETARIAT

1. Shri T.R. Sharma — *Deputy Secretary*

WITNESSES

Ministry of food

1.	Shri Tirlochan Singh	— Additional Secretary
2.	Shri S.K. Tripathi	— Joint Secretary (Sugar)
3.	Smt. S. Kacher	— Director (SDF)
4.	Shri A.B. Nagrare	— Chief Director (Sugar)
5.	Shri R.P. Singhal	— Director (Sugar Technical)

Food Corporation of India

1. Shri A.V. Gokak — Manging Director

National Sugar Institute, Kanpur

1. Dr. Ram Kumar — Director

Deptt. of Science and Technology

1. Dr. J.J. Bhagat — Mission Director

Ministry of Agriculture

1. Dr. G.S. Ram — Economic and Statistical Adviser.

2. At the outset, the Committee welcomed the representatives of Ministry of Food and Ministry of Agriculture at the sitting of the Committee. The Committee thereafter proceeded to discuss with them the various points arising out of List of Points which were replied to by the witnesses.

3. A verbatim record of the proceeding was kept.

The Committee then adjourned.

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 24TH JANUARY, 1995

The Committee sat from 11.00 Hrs. to 13.45 Hrs. on 24th January, 1995.

PRESENT

Shri Shyam Bihari Misra—*Chairman*

MEMBERS

Lok Sabha

2. Shri N.J. Rathava
3. Dr. (Smt.) Padma
4. Shri V. Krishna Rao
5. Shri Gopi Nath Gajapathi
6. Shri Naresh Kumar Baliyan
7. Shri Ramkrishna Kusmaria
8. Shri Chhotey Lal
9. Shri Lal Babu Rai
10. Shri Ram Awadh
11. Shri Manoranjan Sur
12. Shri Chhote Singh Yadav
13. Dr. (Smt.) K.S. Soundaram
14. Shri N.J.S.P. Reddy

Rajya Sabha

15. Shri Sunder Singh Bhandari
16. Shri Tara Charan Majumdar
17. Shri G.Y. Krishnan
18. Shri Jagannath Singh
19. Shri Ramendra Kumar Yadav 'Ravi'
20. Smt. Chandra Kala Pandey

SECRETARIAT

1.	Smt. Roli Srivastava	—	*Joint Secretary*
2.	Shri T.R. Sharma	—	*Deputy Secretary*

WITNESSES

Ministry of Food

1.	Shri R.V. Gupta	—	Secretary (Sugar)
2.	Shri Tirlochan Singh	—	Additional Secretary (Food)
3.	Shri S.K. Tripathi	—	Joint Secretary (Food)
4.	Smt. S. Kacker	—	Director (Sugar Development Fund)
5.	Shri A.B. Nagrare	—	Chief Director (Sugar)
6.	Shri Deepak Khandekar	—	Deputy Secretary (Sugar)
7.	Shri M.P. Rajaram	—	Joint Director (Cost)
8.	Shri R.P. Singhal	—	Director (Sugar Technical)
9.	Shri K.M.L. Gupta	—	Deputy Director (Sugar Technical)
10.	Shri S.C. Ray	—	Deputy Director (Sugar Technical)

Department of Science & Technology

Shri J.J. Bhagat — Mission Director (Sugar Technology Mission)

Food Corporation of India

Shri A.V. Gokak — Managing Director

National Sugar Institute, Kanpur

Dr. Ram Kumar — Director

2. At the outset, the Committee welcomed the representatives of Ministry of Food at the sitting of the Committee. The Committee thereafter proceeded to discuss with them the various points arising out of list of points which were replied to by the witnesses.

3. A verbatim record of the proceeding was kept.

The Committee then adjourned.

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 15TH FEBRUARY, 1995

The Committee sat from 11.00 Hrs. to 14.00 Hrs. on 15th February, 1995.

PRESENT

Shri Shyam Bihari Misra—*Chairman*

MEMBERS

Lok Sabha

2. Dr. (Smt.) Padma
3. Shri Bijoy Krishna Handique
4. Shri D.J. Tandel
5. Dr. Ramkrishna Kusmaria
6. Prof. Ram Kapse
7. Shri Ram Awadh
8. Shri Syed Masudal Hossain
9. Shri Manoranjan Sur

Rajya Sabha

10. Shri Sunder Singh Bhandari
11. Shri Sudhir Ranjan Majumdar
12. Shri Tara Charan Majumdar
13. Smt. Chandra Kala Pandey

SECRETARIAT

1. Smt. Roli Srivastava — *Joint Secretary*
2. Shri T.R. Sharma — *Deputy Secretary*

WITNESSES

Ministry of Food

1. Shri R.V. Gupta — Secretary
2. Shri Tirlochan Singh — Additional Secretary
3. Shri S.K. Tripathi — Joint Secretary (Sugar)

4. Smt. S. Kacker	—	Chief Director (SDF)
5. Shri A.B. Nagrare	—	Chief Director (Sugar)
6. Shri R.P. Singhal	—	Director (Sugar Technical)

Department of Science & Technology

Shri J.J. Bhagat	—	Mission Director, Sugar Technology Mission

Food Corporation of India

Shri A.V. Gokak	—	Managing Director

National Sugar Institute, Kanpur

Dr. Ram Kumar	—	Director

2. At the outset, the Committee welcomed the representatives of Ministry of Food at the sitting of the Committee. The Committee thereafter proceeded to discuss with them the various points arising out of List of Points which were replied to by the witnesses.

3. A verbatim record of the proceeding was kept.

The Committee then adjourned.

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 1ST MARCH, 1995

The Committee sat from 11.00 Hrs. to 13.40 Hrs. on 1st March, 1995.

PRESENT

Shri Shyam Bihari Misra—*Chairman*

MEMBERS

Lok Sabha

2. Dr. (Smt.) Padma
3. Shri A. Jayamohan
4. Shri V. Krishna Rao
5. Shri Bijoy Krishna Handique
6. Shri Naresh Kumar Baliyan
7. Prof. Ram Kapse
8. Shri Ram Awadh
9. Shri Ramchandra Marotrao Ghangare
10. Shri Manoranjan Sur
11. Dr. (Smt.) K.S. Soundaram
12. Shri Chhote Singh Yadav

Rajya Sabha

13. Shri Sunder Singh Bhandari
14. Shri Nagmani
15. Shri Tara Charan Majumdar
16. Shri Jagannath Singh
17. Shri Tindivanam G. Venkatraman

SECRETARIAT

1. Smt. Roli Srivastava — *Joint Secretary*
2. Shri A.S. Chera — *Assistant Director*

WITNESSES

Ministry of Food

1.	Shri R.V. Gupta	—	Secretary (Sugar)
2.	Shri S.K. Gupta	—	Joint Secretary (Sugar)
3.	Smt. S. Kacker	—	Director (SDF)
4.	Shri R.P. Singhal	—	Director (Sugar Technical)

Deptt. of Science & Technology

Shri J.J. Bhagat — Mission Director, Sugar Technology Mission

Food Corporation of India

Shri A.V. Gokak — Managing Director

National Sugar Institute, Kanpur

Dr. Ram Kumar — Director

2. At the outset, the Committee welcomed the representatives of Ministry of Food at the sitting of the Committee. The Committee thereafter proceeded to discuss with them the various points arising out of List of Points which were replied to by the witnesses.

3. A verbatim record of the proceeding was kept.

The Committee then adjourned.

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 27TH JUNE, 1995

The Committee sat from 11.00 Hrs. to 13.00 Hrs. on 27th June, 1995.

PRESENT

Shri Shyam Bihari Misra—*Chairman*

MEMBERS

Lok Sabha

2. Shri B.M. Mujahid
3. Shri A. Jayamohan
4. Dr. (Smt.) Padma
5. Shri Lakashman Singh
6. Shri Gopi Nath Gajapathi
7. Shri Chhotey Lal
8. Dr. Ramkrishna Kusmaria
9. Shri D.J. Tandel
10. Shri Ram Awadh
11. Shri Naresh Kumar Baliyan
12. Shri Ramchandra Marotrao Ghangare
13. Shri Manoranjan Sur
14. Dr. (Smt.) K.S. Soundaram
15. Shri Chhote Singh Yadav
16. Shri Birsingh Mahato

Rajya Sabha

17. Shri Tara Charan Majumdar
18. Shri Jagannath Singh
19. Shri Tindivanam G. Venkatraman
20. Shri Ramendra Kumar Yadav 'Ravi'
21. Shri Kanaksinh Mohansinh Mangrola

SECRETARIAT

1. Smt. Roli Srivastava — *Joint Secretary*
2. Shri A.S. Chera — *Under Secretary*
3. Shri R.S. Kambo — *Assistant Director*

WITNESSES

Ministry of Food

1. Shri Arun Sinha — Secretary
2. Shri N. Kumar — Joint Secretary
3. Smt. S. Kakkar — Director
4. Shri R.P. Singhal — Chief Director
5. Shri Rajaram — Consultant (Cost), Dir. of Sugar
6. Shri S.K. Srivastava — Director, Dir. of Sugar
7. Shri S.C. Ray — Deptt. Director, Dir. of Sugar
8. Shri S.C. Singhal — Deptt. Director, Dir. of Sugar
9. Shri D. Khandekar — Deputy Secretary (Sugar)

National Sugar Institute, Kanpur

Shri Ram Kumar — Director

2. At the outset, the Committee welcomed the representatives of Ministry of Food at the sitting of the Committee. The Committee thereafter proceeded to discuss with them the various points arising out of List of Points which were replied to by the witnesses.

3. A verbatim record of the proceeding was kept.

The Committee then adjourned.

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 18TH DECEMBER, 11995

The Committee sat from 15.30 Hours to 17.30 Hours on 18.12.1995.

PRESENT

Shri Sunder Singh Bhandari—*In the Chair*

MEMBERS

Lok Sabha

2. Dr. (Smt.) Padma
3. Shri V. Krishna Rao
4. Shri Bijoy Krishna Handique
5. Shri Lakshman Singh
6. Dr. Ramkrishna Kusmaria
7. Shri Kabindra Purkayastha
8. Prof. Ram Kapse
9. Shri Ram Awadh
10. Shri Manoranjan Sur
11. Shri Birsingh Mahato
12. Shri Naresh Kumar Baliyan

Rajya Sabha

13. Smt. Chandra Kala Pandey
14. Shri O.S. Manian

SECRETARIAT

1. Smt. Roli Srivastava — *Joint Secretary*
2. Shri Krishan Lal — *Deputy Secretary*
3. Shri A.S. Chera — *Under Secretary*
4. Shri R.S. Kambo — *Assistant Director*
5. Shri P.K. Sharma — *Editor*

2. The Committee, in the absence of the Chairman of the Committee chose Shri Sunder Singh Bhandari, MP to act as Chairman

for the sitting in terms of Rule 258 (3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

I. Consideration and adoption of Draft Thirteenth Report.

3. ** ** **

II. Consideration and adoption of Draft Fourteenth Report.

4. ** ** **

III. Consideration and adoption of Draft Fifteenth Report.

5. The Committee considered the draft report on sugar and adopted the same with the following amendments :—

PARA–1

Add "Soil testing laboratories should be set up to determine fertility level of soil and recommend corrective measures to improve soil health" in the last.

PARA–7

Line 8 from bottom

For words "over 13-14 months" substitute "throughout the year and even beyond".

PARA–22

Line 6,7,8 from top

For lines "subject to the condition that a minimum distance between two sugar mills to ensure accessibility of all units to sugarcane, be maintained", Substitute—"To avoid overcrowding and to ensure accessibility of sugarcane to all sugar units, registration of mill with Central Government prior to setting up of new unit, should be made compulsory".

PARA–32

Add the following in the last

"The Committee also recommend that stock limit for a trader be increased from 500 quintal at present to 1000 quintal. Similarly, the turn-over period be enhanced from 15 days, at present to one month. The Committee also recommend that licences for undertaking trading be dispensed with and only registration system be introduced."

PARA–33

Line 2 from bottom
For "State Governments and farmers" substitute "State Governments, farmers and traders".

** Not related to this report.

PARA-34

Lines 10 and 11 from bottom

For "should be entrusted with the task of undertaking R & D on khandsari".

Substitute "should also be entrusted with the task of undertaking R & D on khandsari and gur".

6. The Committee authorised the Chairman to finalise the Draft Reports and present/lay the Reports in both the Houses of Parliament.

The Committee then adjourned.