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STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION

(1996-97)

ELEVENTH LOK SABHA

[Action Taken Report on Fifteenth Report of the Committee (1995-96) on "Sugar"]

SEVENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

May, 1997 / Vaisakha, 1919 (Saka)

SEVENTH REPORT

STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (1996-97)

(ELEVENTH LOK SABHA)

[Action taken by the Government on the Recommendations contained in the Fifteenth Report of the Committee on Food, Civil Supplies and Public Distribution (1995-96) on 'Sugar']

Presented to Lok Sabha on 16.5.1997
Laid in Rajya Sabha on 16.5.1997

सत्यमेव जयते

LOK SABHA SECRETARIAT
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CORRIGENDA TO THE SEVENTH REPORT (ELEVENTH LOK SABHA) OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (1996-97)

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* Ceased to be Member of the Committee *w.e.f.* 21.3.1997.

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4. Shri R.S. Kambo — *Under Secretary*
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* Nominated to the Committee *w.e.f.* 29.08.1996.

** Nominated to the Committee *w.e.f.* 13.12.1996.

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Civil Supplies and Public Distribution (1996-97) having been authorised by the Committee to submit the Report on their behalf, present this Seventh Report on Action Taken by the Government on the recommendations/ observations contained in the Fifteenth Report of the Committee (Tenth Lok Sabha) on the subject of "Sugar"

2. The Fifteenth Report was presented to Lok Sabha/Laid in Rajya Sabha on February 27, 1996. The Government furnished their replies indicating action taken on the recommendations contained in the Report in batches on 6 November, 1996, 4 February & 24 February, 1997. The Draft Action Taken Report was considered and adopted by the Standing Committee on Food, Civil Supplies and Public Distribution (1996-97) at their sitting held on 14 May, 1997.

3. An analysis of the action taken by the Government on recommendations contained in the Fifteenth Report of the Standing Committee (Tenth Lok Sabha) on "Sugar" is given in Appendix—II.

NEW DELHI;
15 May, 1997
25 Vaisakha, 1919 *(Saka)*

R.L. BHATIA,
Chairman,
Standing Committee on Food, Civil Supplies and Public Distribution.

CHAPTER I

REPORT

1.1 The Report of the Standing Committee on Food, Civil Supplies and Public Distribution deals with the Action Taken by the Government on the recommendations contained in the 15th Report (Tenth Lok Sabha) on "Sugar".

1.2 The Report was presented to Lok Sabha/laid on the Table of Rajya Sabha on February 27th, 1996. It contained 36 observations/recommendations.

1.3 Action Taken Notes in respect of all the 36 observations/recommendations contained in the Report have been received and have been categorised as follows:

(i) Recommendations/Observations which have been accepted by the Government.

Para Nos. 1, 2, 3, 5, 9, 10, 11, 13, 14, 17, 23, 29, 30, 31, 32 and 33

(Chapter II, Total 16)

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's reply.

Para Nos. 18, 25 and 27

(Chapter III, Total 3)

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee.

Para Nos. 4, 7, 8, 12, 15, 16, 19, 21, 22, 24, 28, 34 and 35.

(Chapter IV, Total 13)

(iv) Recommendations/Observations in respect of which final reply of the Government is still awaited.

Para Nos. 6, 20, 26 and 36.

(Chapter V, Total 4)

1.4 The Committee need emphasise hardly that utmost importance should be given to the implementation of recommendations accepted by the Government. In cases where it is not possible for the Government to implement the recommendations in their letter and spirit for any reason, the matter should be reported to the Committee in time with reasons for non-implementation.

1.5 The Committee desire that final reply in respect of the recommendations contained in Chapter V of the Report for which only interim reply has been given should be furnished to the Committee expeditiously.

1.6 The Committee will now deal with action taken by the Government on some of the recommendations.

Sugarcane Pricing Policy

Recommendation No. 4

1.7 In a bid to promote rationale sugarcane pricing policy, the Committee had urged the Government to introduce quality based sugarcane pricing and observed as under:

"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 quality based sugarcane pricing policy should be introduced."

1.8 The Ministry in their Action Taken reply have stated as under:—

"The sugarcane pricing policy of the Government is reviewed every year. The Statutory Minimum Prices of sugarcane payable by sugar factories are fixed by the Central Government under clause 3 of the Sugarcane (Control) Order, 1966. These prices are fixed taking into account the recommendations of the Commission for Agricultural Costs and Prices (CACP) and after consultation with such authorities, bodies of associations as the Central Government may deem fit having regard to the cost of production of sugarcane, the return to the growers from alternative crops and the general trend of prices of agricultural commodities, the availability of sugar to the consumers at the fair price, the price at which the sugar produced from sugarcane is sold by producers of sugar and the recovery of sugar from sugarcane.

While fixing the SMP the Government announce premium for higher recovery also. For 1995-96 while fixing the SMP of Rs. 42.50 per quintal linked to a basic recovery of sugar upto 8.5% a premium of Rs. 0.54 for every 0.1 percentage point increase in recovery of sugar was allowed. Thus, if one quintal of sugarcane produces sugar upto 8.5 Kg. the farmer will get Rs. 42.50 for it. If recovery of sugar increases by 100 gm. per quintal of sugarcane above 8.5 kg. the farmers will get excess amount of Rs. 0.54 for each such 100 gm of excess recovery. Like this premium for higher recovery is always prescribed while fixing Statutory Minimum Price. Since the CACP is the expert body which finalizes its recommendation for fixation of the Statutory Minimum Price of sugarcane after taking into account all the relevant factors the recommendation of the Committee has been passed on to them for keeping the same in view while recommending the Statutory Minimum Price of sugarcane for the ensuing years."

1.9 The Committee note that the present Sugarcane Pricing Policy is basically tonnage based having no regard for quality. The Commission for Agricultural Costs and Prices (CACP) which is an expert body recommends Minimum Support prices for agricultural commodities including sugarcane. In determining the Statutory Minimum Price of Sugarcane, CACP takes into consideration the cost of production, the returns to the growers from alternative crop and general trend of prices of agricultural commodities, the availability of sugar to the consumers at the fair price, the price at which the sugar produced from the sugarcane is sold by the producers of sugar and the recoveries of sugar from sugarcane. The Committee are of the view that inspite of taking these factors into account, the Commission has not able to come out with a reasonable and realistic sugarcane pricing policy. Such a state of affairs has not enthused the farmers to go in for large scale cultivation of sugarcane. The Committee are of the opinion that much of the distortion in the pricing structure of sugarcane can be corrected by the introduction of quality based pricing policy. In this context, the Committee are in total agreement with the report of Task Force on Sugar Industry set up to formulate the developmental programme for Sugar Industry for the Ninth Plan period, which has also advocated the introduction of sugarcane pricing policy based on quality of cane. The Committee,

therefore, reiterate their earlier recommendation and desire that Ministry of Food should take up the matter regarding introduction of such a pricing mechanism with CACP with promptitude. This will not only enthuse the farmers to grow and supply quality cane but would also help in enhancing sugar recovery and larger sugar output per unit area and time.

Incentives for Early and late Varieties of Sugarcane

Recommendation No. 5

1.10 Emphasizing the need to provide incentives for cultivation of early & late varieties of sugarcane in order to supply of cane uninterrupted and prolong crushing period, the Committee had observed:—

"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. The 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."

1.11 The Ministry in their Action Taken reply have stated:

"The State Government as well as sugar factories are being advised by Sugarcane Breeding Institute, Coimbatore for a suitable mix of early maturing, mid-late maturing and late maturing varieties for getting optimum sugar recovery in early as well as later part of the crushing season."

1.12 The Committee have observed that State Governments and sugar factories have been advised by the Sugarcane Breeding Institute, Coimbatore for a suitable mix of early, mid and late maturing varieties, in order to get optimum sugar recovery. However, at the same time the Committee desire that the Central Government

should monitor the position closely to ensure that growers are induced to grow an admixture of these varieties. Incentives to grow cane of early and late varieties should also be offered.

Cane Arrears

Recommendation No. 7

1.13 Expressing their concern over mounting cane arrear position, the Committee had *inter-alia* observed:

"The Committee find that Rs. 587, 270 and 672 crores were outstanding against sugar industry as arrears as on 15th April, 95 during the year 1992-93, 1993-94, 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 installments 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."

1.14 The Ministry in their Action Taken reply have stated:

"As per the Sugarcane Control Order 1966 issued by the Central Government under the essential Commodities Act, it is obligatory on the part of all sugar mills to pay the Statutory Minimum Price (SMP) for sugar cane to growers. In the case of State-Advised

Price of sugarcane, which are much higher than the SMP, the responsibility for ensuring timely payments of cane price dues lies with State Governments which have the necessary powers and field organisations to enforce such payments. The Central Government on its parts, advise them from time to time to clear the arrears of sugarcane price through letters addressed to State Government authorities at higher level. As on 30.9.95, the arrears relating to 1994-95, 1993-94 and earlier season got reduced to Rs. 185.09 crores, Rs. 1.65 crores and Rs. 20.33 crores respectively.

Under Clause 3 (3A) of the sugarcane (Control) Order 1966 payments delayed beyond 14 days of delivery of sugarcane would attract interest liability at the rate of 15% per annum for the period of delay. Section 17 of the U.P. Sugarcane (Regulation of Supply and Purchase) Act, 1953 which deals with 'Payment of cane price also contains provisions for issue of recovery certificates by the Cane Commissioner towards cane price arrears and empowers the Collector to recover the amount specified in such certificates as if it were an arrear of land revenue. In September, 1993, the Government of U.P. was requested to take steps to issue such Recovery Certificates to defaulting Sugar Mills.

The Reserve Bank of India has been requested to consider provision of need based credit to sugar industry on priority so as to ease the liquidity position."

1.15 The Committee note that as on 13th September, 1995, the cane arrear position relating to years 1992-93, 1993-94 and earlier seasons were Rs. 185, 1.65 crores and 20.33 crores respectively. Although under the provisions of Sugarcane (Control) Order, 1966 an interest accrues at 15% per annum for the period of delay, seldom this legal remedy is enforced. The Committee, therefore, recommend that a provision similar to Section 17 of UP Sugarcane (Regulation of Supply and Purchase) Act, 1953 which enable issuance of recovery certificate by the Cane Commissioner towards the cane price arrears and empowers the Collector to recover the amount specified in such case as if it were an arrear of land revenue, may be incorporated in the Sugarcane (Control) Order, 1966 so that the cane arrear position is reduced to a barest minimum. The Committee are happy to note that RBI is considering a proposal to provide need based credit to sugar industry to ease liquidity crunch. The Committee desire that the outcome of this proposal may be shared with them.

Interest payment on delayed payment

Recommendation No. 8

1.16 Underlining the need to file the returns by sugar mills showing the principal amount and interest separately, in connection with supply of cane to sugar mills by farmers, the Committee had observed that:

> "Although the farmers were entitled to receive interest on delayed payment beyond a period of 14 days, this provision of the Statute was flouted with impunity. Strangely, the returns filed by sugar entrepreneurs to the Ministry of Food did not account for amount accrued as interest. The Committee, therefore, recommend that sugar factories should be asked to furnish details of interest paid separately."

1.17 The Ministry in their Action Taken reply have stated:

"Fax messages were sent to the Chief Secretaries of the State Governments asking for the information regarding interest accrued on delayed payment beyond 14 days of delivery of sugarcane by the supplier and the amount paid by each sugar factory situated in their respective State. The replies received from various State Governments are reproduced below:—

Sl. No	State	Information received
1.	Gujarat	In Gujarat, Sugar Industry is in Cooperative Sector. Farmer members are the real owners of the factory and democratically elected board runs the administration on behalf of these farmers members. Sugar Cooperatives in Gujarat pay the prices on instalment basis. First instalment is paid on receipt of the sugarcane, second is paid at the end of the season and the third is paid after the year is ended taking into consideration estimated loss/profit. This system is adopted from very beginning and farmer members have no objection uptill now. Hence question of charging interest on delayed payment does not arise.

Sl. No.	State	Information received
2.	Maharashtra	Question does not arise since the payments of first advance were made to the suppliers within 14 days from the delivery of sugarcane.
3.	Uttar Pradesh	No interest has been paid by any of the sugar mills since 1991-92 seasons
4.	Assam	Does not arise.
5.	Goa	Since all cane payments are made within 14 days of delivery of sugarcane by the suppliers no interest is accrued on payments.
6.	Pondichery	Cane payments to the cane growers is being paid promptly. Hence payment of interest on delayed payments does not arise.
7.	Punjab	One factory has reported that cane price payments are made on weekly basis within 14 days of delivery of cane.
8.	Bihar	Sugar factories had already been requested to furnish complete details of interest accrued, the amount paid etc. Details have not been received as yet and they are being reminded to send them quickly.
9.	Orissa	No amount of interest accrual on payment beyond 14 days of cane price has come to the notice of Orissa Government except an arrear cane price of Rs. 7,000/- of Aska is outstanding for payment cane growers from the year 75-76 to 76-77 held up under judicial proceedings.
10.	Haryana	Payment was being made regularly to the farmers. Hence, the question of accruement of interest on payment beyond 14 days does not arise.

1.18 The Committee are not convinced with the be-laboured reply furnished by the Government in regard to making separate provisions for interest and principal amount in the returns filed by sugar entrepreneurs. The Committee note that although interest is payable in the State of Uttar Pradesh, surprisingly, no interest has been paid by sugar mill or their agents since 1991-92. The Committee view this with concern and recommend that all the sugar mills should be instructed to file their returns, showing statements of principal amount and interest accrued on account of delayed payment separately. The Committee, further note that the information is still awaited from State Government of Bihar even after a lapse of more than one year. The Committee deire the Union Government to impress upon the State Government of Bihar to send the information sought for at an early date.

Mode of Calculation of Interest on Delayed Payment

(Recommendation No. 9)

1.19 With a view to rationalize the interest payable to sugarcane growers on account of delayed payment, the Committee had observed the following :—

"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 price than recommended by the Commission for Agricultural Cost 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".

1.20 The Ministry in their Action Taken reply has stated :—

"In terms of sub-clauses (3) and (3A) of Clause 3 of the Sugarcane (Control) Order, 1996, the cane dues are payable by the sugar mills to the suppliers of sugarcane within 14 days of such supply or within such other period as may be mutually agreed to between the sugar mill and the cane suppliers. The cane dues, for this purpose, are calculated at the rate agreed to between the sugar mills and the cane suppliers or at the rate fixed by the Central Government (i.e. SMP). If the cane dues are not paid within the said period of 14 days, interest at the rate of 15% for delayed payment beyond the said period becomes payable by the sugar mill to the cane suppliers.

Thus, under the statutory provisions if the cane dues are not paid by the sugar mills within 14 days of the supply of sugarcane to the mill or within the agreed period, interest at the rate of 15% becomes payable by the sugar mills to the cane suppliers for delayed payment on the amount of cane dues calculated on SMP fixed by the Central Government or at the price calculated at the rate agreed. If the agreement between the sugar mill and the cane suppliers is for payment of cane price at the rate which is more than SMP or if, in any State, the agreed price is fixed by the State Government the interest is to be calculated on such price."

1.21 The Committee note that under the statutory provisions of Sugarcane (Control) Order, 1966, an interest is payable on delayed payment which is calculated at SMP fixed by Central Government or at the price calculated at the rate mutually agreed to by farmers/ cane suppliers or their nominee and the cane receiver/sugar millers or their nominee. Where the agreement between sugar millers and cane suppliers is for payment of cane price which is more than SMP or it in any State the agreed price is fixed by State Government, the interest is calculated and such price. The Committee are convinced with the reply furnished by the Government but at the same time desire that Government should monitor the payment of interest position closely.

Reservation of Cane-Area on Long-Term Periodicity

Recommendation No. 10

1.22 Keeping in view the durable pre-planning for cane production, the Committee had observed as follows :

"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."

1.23 The Ministry in their Action Taken note have stated :

"Under the Sugarcane (Control) Order, 1966 the powers have been delegated to the concerned State Governments to demarcate reservation/assigned areas for purchase of sugarcane by the sugar factories. The State Governments have accordingly been advised to keep the recommendations of the Committee in view while demarcating the reserved/assigned areas."

1.24 Although the States have been delegated the powers to demarcate reserved/assigned areas in term of Sugarcane (Control) Order, 1966, nevertheless the role of Union Government cannot be overlooked. The Committee, therefore, desire that Union Government should monitor the position of demarcation of reserved/assigned area closely and impress upon the State Government the imperative need of making such a reservation order for a longer periodicity in the interest of cane growers and sugar mill entrepreneurs.

Cane Sampling, Delivery Schedules & harvesting

(Recommendation No. 12)

1.25 Pointing to a loss of recovery and yield due to non-existence of cane sampling, delivery schedule and systematic harvesting particularly in sectors other than cooperatives, the Committee had observed :

"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 acivities should be included in production cost of sugar, reimburseable to them."

1.26 The Ministry in their Action Taken reply has furnished as under :

"While recommending fixation of SMP, the Commission for Agricultural Costs and Prices to take into account the expenditure incurred on harvesting."

1.27 The introduction of cane sampling, devising appropriate delivery schedule and conduction of harvesting, surveying of cane of an appropriate age is a pre-requisite for the running of sugar mill efficiently. It has come to the notice of the Committee that these major activities are seldom attended to by sugar mills other than in cooperative sector, resulting in loss of recovery and yield. The Committee had, therefore, recommended that the Government should ensure introduction of such activities. The Government have furnished an incomplete reply and have offered their comments only with regard to the expenditure incurred on harvesting. The other main issues remained untouched. The Committee are, therefore, unhappy with the casual and lackadaisical approach shown by the Goverment in furnishing such vague reply. The Committee, therefore, desire that complete reply/comments should be offered in this regard. The Committee, at the same time would like to emphasise that Government should consider the suggestion/advice given by them seriously and offer its reaction to each and every observation of the Committee in future.

Waiting Charge

Recommendation No. 13

1.28 Concerned over the wide-spread malpractices indulged in by various sugar entrepreneurs, the Committee had observed :

"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 amenities 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 mangement after 8 hours."

1.29 The Ministry in their Action Taken reply has stated :

"State Governments have been advised to keep the recommendations of the Committee in view and to ensure correct weighment of sugarcane and to minimise the waiting period."

1.30 The Committee desire that Central Government should monitor the position closely and impress upon the States the imperative need of providing civic amenities to the farmers. The State machineries need to be geared up to ensure correct weighment of sugarcane by the sugarmills. As the sugarcane is a highly perishable commodity, long and over exposure leads to deterioration in quality and recovery. The Committee, therefore, recommend that a compensatory mechanism to offset loss in quality and recovery, should be made by introduction of waiting charges compulsorily.

Role of Cane Cooperatives/Unions

Recommendation No. 15

1.31 Underlining the need to assess the desirability of cane cooperatives/societies in ameliorating the problems faced by cane growers, the Committee had observed as follows :—

"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/ societies 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 own admission, the system of distribution of harvest challan by cane unions/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 the outcome of this re-examination."

1.32 The Ministry in their Action Taken reply has stated :—

"The State Governments are being advised to take note of the recommendation of the Committee and implement the same."

1.33 The Committee regret to note the casual reply furnished by the Ministry. In the opinion of the Committee there should be a direct linkage between farmers and sugar entrepreneurs. The basic reason for which the institution of Cane Cooperatives/Unions came into existence has been eroded to a very large extent. The developmental work has come to a standstill, and farmers continue to be exploited as before, especially in the distribution of harvest challans/purche. It is in this context that the Committee had recommnded the desirability or otherwise of institution of Cane Cooperatives/Unions. The Committee, therefore, while reiterating their earlier recommendation, still hold that State Governments should be prevailed upon to examine their role afresh. The Committee may also be apprised of the outcome.

Payment of SMP by Khandsari Industry

Recommendation No. 16

1.34 To protect the interest of cane growers supplying sugarcane to Khandsari units, the Committee had observed :—

"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) Order, 1966 be implemented more vigorously by the States concerned."

1.35 The Ministry in their Action Taken reply have stated as under :—

"The Khandsari Industry is in the unorganised sector. The Central Government has no control over them. Licensing of this Industry, if any, is done by the State Governments. There is a provision in the Sugarcane (Control) Order for fixation of SMP for khandsari either by the State Governments with the approval of Central Government or by the Central Government itself. Generally, these prices are not fixed, but in some of the years the State Governments have been fixing these prices. During 1977-78 and 1978-79 such prices were fixed by UP, Andhra Pradesh and Haryana. During the seasons 1982-83 to 1988-89 and 1990-91 only Andhra Pradesh had fixed these prices. However, the State/UT Governments have been advised to keep the recommendation of the Committee in view to consider fixing Statutory Minimum Price of sugarcane for khandsari units functioning in their States/UTs in terms of Clause 4 of the Sugarcane (Control) Order, 1966."

1.36 The Committee are not in agreement with the reasonings put forth by the Central Government for not fixing the Statutory Minimum Price for khandsari when the Sugarcane (Control) Order, 1966 specifically direct them to do so. Even the State Governments with whose concurrence the minimum sugarcane prices are to be fixed have failed to come upto expectation and have not announced any Statutory Minimum Price. As a result small and marginal farmers who in the absence of sugar factories near by, have been under compulsion to resort to distress sale by selling their produces to khandsari units at a throw away price which generally rules below SMP. The Committee view this with concern and recommend that Government should find out ways and means to ensure that khandsari units also pay SMP. Failure to pay Statutory Minimum Price by Khandsari unit should be dealt with seriousness.

Concurrent Review of SDF Scheme on Cane Development Work

Recommendation No. 19

1.37 Expressing their concern over tardy progress of cane developmental activities and misutilisation of funds, detrimental to the interest of ultimate beneficiaries, the Committee had observed as follows :—

"The Committee further note that SDF authorities meet 90% 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."

1.38 The Ministry in their Action Taken reply have stated :—

"The suggestion has been noted and will be submitted to the Standing Committee of SDF for working out the modalities for constitution of an agency consisting of Cane Growers, representatives of Management of sugar units and State Government to monitor and channelise the development work."

1.39 The Ministry further in their supplementary reply have stated :—

"The suggestion was considered in the 51st meeting of the Standing Committee on SDF held on 16.10.96 in New Delhi under the Chairmanship of Secretary (Food). At present, the respective State Governments are monitoring the SDF assisted cane development programme, as they have the necessary monitoring expertise. The SDF loan for cane development programme of a sugar mill is released by the Government of India in 3 instalments. The second and third instalment of loan are released only on receipt of a proper utilisation certificate in respect of the previous instalment alongwith the recommendation of the State Government concerned. The Standing Committee on SDF was of the view that the existing monitoring system captured the spirit underlying the recommendation of the Parliamentary Committee. This has been endorsed by the Ministry."

1.40 The Committee note that even though 90% finance is provided by Sugar Development Fund Authorities for implementation of cane development scheme, the monitoring mechanism to assess their utility/impact has been left at the disposal/discretion of State Governments concerned. It has been brought to the notice of the Committee that the impact report on the benefit of SDF scheme on cane development is commissioned on an infinite scale. The Committee are of the opinion that in the absence of any reliable data/report, it becomes very difficult to assess the purpose/utility of SDF scheme. It is in this context, that the Committee had recommended that concurrent review of such schemes should be introduced if the benefit of the scheme is to be realised fully. The Committee, therefore, while reiterating their earlier recommendation desire that Government should undertake such a concurrent review of cane development scheme expenditiously.

1.41 The Committee have further observed that the Ministry's note is silent on the suggestion to constitute an agency comprising of cane growers, sugar mills and State Governments for an integrated development of sugarcane in mill and non-mill areas. The Committee take exception to such a casual approach on the part of the Government in not offereing their comments thereon. The Committee reiterate their earlier recommendation and desire that such an agency should be set up without any further loss of time.

Delicensing of Sugar Industry

Recommendation Nos. 21 and 22

1.42 Underlining the imperative need to free Sugar Industry from licensing process which in recent times have acted as hurdles in creating capacity of International Standards, allowed maladies such as non-transparency, favouritism, nepotism etc., the Committee had observed :—

"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 2500 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 licensing system has given monopoly to the existing mills over growing areas and hence there is very little incentive to improve extension service and raise yields. It has also afforded protection to many aged and inefficient units. Moreover, licensing system often lacks transparency, is open to favouritism, nepotism and breeds corruption. For instance the basic criteria governing issuance of new licenses, *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 license had been issued on considerations other than techno-feasibility merits."

1.43 The Ministry in their Action Taken reply have stated :—

"Industrial licence applications for grant of Letters of Intent/ Industrial Licences for establishment of new sugar factory are received in the Ministry of Food through the Ministry of Industry. On receipt of these applications, references are made to the concerned State Governments requesting them to furnish information regarding cane availability, potential for development of sugarcane etc. in the prescribed proforma and their views in the matter. After receipt of the required information the proposals are put up before the Screening Committee of the Ministry of Food which has members with expertise in different fields like, agriculture, technology, finance, etc. The Committee after scrutinising the proposals make recommendations for approval or otherwise based on the available information. The Committee also gives due consideration to the views expressed by the representatives of the State Governments who are also invited at the time of consideration of the proposals of their States. These recommendations of the Screening Committee are put up to the Minister for Food and after his due approval the same are sent to the Ministry of Industry for placing them before the Licensing Committee. The potential for development of sugarcane also taken into consideration particularly for grant of Letters of Intents in new areas as also in the existing sugarcane areas. In some cases the projections of irrigation schemes, bad weather conditions, non-availability of required funds etc. As such, the Letters of Intents are issued on techno-economic feasibilities of the projects keeping in view the prevailing Licensing Policy Guidelines.

The issue of delicensing of sugar industry is under consideration."

1.44 The Committee in their recommendation no. 22 have further observed as under :—

"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 with leave no stone unturned in providing remunerative price to farmers for upgrading extension services, inputs and thereby improve crop yield".

1.45 The Ministry in their reply and supplementary reply have further stated :

"Government have decided to continue the licensing of sugar industry and have issued revised guidelines. The licensing procedure has been considerably simplified and, *inter-alia,* includes automatic lecensing for expansion projects. A copy of the Guidelines issued vide Press Note No. 1 (1997 series) on 10.1.1007 by the Ministry of Industry is given in Annexure :—

1.46 The Committee have observed that taking into consideration changes in business scenario following economic liberalisation, the

need for introducing simplified and transparent procedures and the technological changes that have taken place in the sugar industry over the years, the Government have come out with fresh set of guidelines for considering applications for industrial licenses. Under the revised guidelines, *inter-alia* the new sugar factories will continue to be licenced for Minimum Economic Capacity of 2500 tonnes cane crushed per day (TCD) and there being no maximum limit, preference to proposals involving *inter-alia* larger capacity, modern technology and development of integrated complexes producing value added products and co-generation of power, radial distance of 15 Km. between any two sugar factories, and revenue district taken as unit, for consideration of application. The Committee are of the view that principles of prudent economics have not been followed in considering the question of delicensing of sugar industry. The cannons of economic liberalisation demands that only the strategic industry should be within the demain of Government control. The process of sugar delicencing, nevertheless, will encourage setting up and functioning of economically viable sugar units and change the agronomy of sugarcane producing areas to a large extent. It will also facilitate the establishment of sugar complexes, having capability of utilising the by-products most efficiently. The diversification would certainly add strength to the finances and staying power of sugar units. The Committee, therefore, reiterating their earlier recommendation and desire that Government should delicence the sugar industry in the interest of cane growers, industry and consumers.

Creation of Authority to Determine Sickness in Cooperative Sector

Recommendation No. 24

1.47 Expressing their concern over lack of any agency to prevent & ameliorate sickness in sugar cooperatives where more than 60% of sugar is produced, the Committee has observed :

> "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 in other than 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."

1.48 The Ministry in their Action Taken reply have stated :

"The Sugar Mills in the Cooperative Sector have been established either under the Cooperative Societies Acts of the concerned States administered by the State Governments or under the Multi States Cooperative Act being administred by the Ministry of Agriculture. Accordingly the Ministry of Agriculture as well as the State Governments have been advised to look into the matter."

1.49 The Committee do not concur with the reasoning of the Government that they could not take any action in the matter of constituting a statutory body for taking measures for rehabilitation of sick and potentially sick units in cooperative sectors on the ground that the sugar mills in cooperative sector are established either under the Cooperative Societies Act of concerned States or under the Multi-State Cooperative Act being administered by Ministry of Agriculture. The Committee are of the opinion that the Ministry of Food should have opened a dialogue with Ministry of Agriculture and the concerned State Government for ensuring the setting up of such a statutory body. The Committee, now, desire that Ministry of Food should take up the matter with promptitude and apprise the Committee of the outcome within a period of three months.

Exemption of sugar mills from Levy Obligation

Recommendation No. 28

1.50 Exhorting the Government to improve econmic viability of old, unexpanded and unrestructured sugar unit, the Committee had observed :

"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 payment purpose. For instance, the latest incentive scheme for high recovery area envisages 100 percent 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/restructured 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 not 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 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 sugar quota".

1.51 The Ministry in their Action Taken reply has stated as under :

"The licenses issued after the process of licensing was resumed in December, 1995 do not carry incentive of liberal freesale quota".

1.52 Supplementing their reply, the Ministry in a note furnished the following additional information :

"Government have decided to accept the recommendations of the Bureau of Industrial Costs and Prices on incentives for new sugar industries and expansion projects with a view to imporve their feasibility. Since these projects will be over and above the already established capacities, they will not impinge on the already available levy sugar supplies, and will add to the freesale supplies thereby keeping production at par with the rising demand".

1.53 The Committee note that consequent upon acceptance of BICP report on grant of incentives, the sugar mills—new projects and expansion projects—have become entitled to draw higher quota of free sale sugar. In this context, the Committee are not in agreement with the recommendations made by BICP on the grounds that old, unexpanded and unrestructured units will still have to shell out as much as 60% of their sugar as free sale, even though they have been running on uneconomic scale. On the other hand, the new projects and restructured/expanded projects which are technologically superior and more efficient as compared to old, unexpanded and unrestructured units would be at liberty to sell their entire production in open market for a period ranging from 5 to 8 years (new projects). The Committee are of the view that such a situation may amount to uneven level playing field. The Committee, therefore, reiterating their earlier recommendation desire that Government should not exempt any sugar mill from levy obligation under any circumstance and instead give excise rebate as an incentive to new/restructured/expanded project so that Public Distribution System does not collapse for want of adequate stock of sugar. Accordingly, the Committee recommend that Government should review their decision in regard to grant of incentive to these units.

Free Sale Release Order

Recommendation No. 30

1.54 Expressing their concern over staggering of free sale sugar quota which results in bouyancy in prices, the Committee had desired formulation of specific guidelines and observd as follows :

> "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 productions. As the sugar factories also meet levy requirement of Public Distribution Systems, 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 relase quota which results in bouyancy 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 can not be ruled out. In order to impart transparency in determining release of quota of a

sugar unit, the Committee recommend that Government should evolve/frame guidelines for the purpose.

1.55 The Ministry in their Action Taken reply has stated :

"The quantum of monthly freesale quota for internal consumption is decided having regard of production, stock requirment, availability of other alternate sweetners like gur and khandsari, price trends, etc. The release mechanism is regulated in a judicious manner in order to maintain the price of sugar at reasonable levels to the consumers as well as to enable the producers to pay remunerative cane price to the cane growers. Keeping in view the better availability of sugar and recommendations of the Standing Committee, the Government have been releasing freesale quota of sugar for internal consumption on long term basis as per details given below :

As per the announcement made on 6th June, 1996 the following releases have been made for the next three months i.e. July 1996, August 1996 and September, 1996 :

Month	Quantity of Freesale Sugar to be Released (Lakh Tonnes)	
July, 1996	7.25	
August, 1996	7.25	Announced for 3 months
Sept., 1996	7.25	

It may be mentioned here that earlier also freesale quota for the months of February 96 and March 96 (Two months) and April 96 to June 96 (3 months) was also announced on above mentioned basis. The details is as under :

Month	Quantity of Freesale Sugar Released (Lakh Tonnes)	
February, 1996	6.25	
March, 1996	6.25	Announced for two months
April, 1996	6.60	
May, 1996	7.25	Announced for 3 months
June, 1996	7.40	+0.50 Addl.

1.56 The Committee are happy to note that Government have accepted the recommendation of the Committee and are now releasing free sale quota for internal consumption on a longer periodicity of three months. However, the Government have not formulated any guidelines in determining free sale quota. The Committee are of the opinion that in the absence of any documented policy/guidelines, the chances of manipulation by unscrupulous elements cannot be ruled out. The Committee, therefore, reiterate their earlier recommendation and desire that such a mechanism should be given effect without much delay.

Gur and Khandsari Industry

Recommendation No. 34

1.57 Underlining the need to introduce Vacuum pan technology in order to give boost to the khandsari industry, the Committee had observed as follows :

> "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 Governments 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."

1.58 The Ministry in their Action Taken reply have stated :—

"The matter has been examined in this Department. Though the project Report for National Institute of Sugarcane & Sugar Technology (NISST), Mau, does not provide for R & D work in gur and khandsari, it has been decided to explore the possibility in this regard and Chief Director, NISST, Mau, has been asked to work out a proposal with cost implications to set-up R&D activities for gur and khandsari at Mau. Final decision in the matter will be taken on receipt of the proposal from the Chief Director, NISST, Mau.

At present, delicensing of sugar industry is under examination of Government and the question of exemption of modified khandsari units from controls/reqolations shall be taken up subsequently."

1.59 The Committee are unhappy over the manner in which Government have chosen to react to the recommendation of a Parliamentary Committee. The Government should have decided the matter to include R&D on gur and khandsari under the ambit of INSST, Mau, or otherwise in consultation with Chief Director and shared the outcome with the Committee. The Committee are of the opinion that khandsari Industry has been playing an important and pivotal role in transforming the rural economy of the country. Not only they have been providing much needed employment opportunities to rural folk but also meeting the sweetening requirement of rural areas. The Committee are still of the opinion that obsolete and outdated technology has been and is the root cause for such a sordid affair in the khandsari industry. The Committee, therefore, reiteriate, their earlier recommendation and desire that permission to use vacuum pan technology should be granted to them. At the same time, they should be exempted from vigrous controls and regulations enforced on sugar industry.

Utilisation of by-product

Recommendation No. 35

1.60 Advocating the use of vast potential in the by-product of sugar, the Committee had observed :—

"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 property 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 by utilising the by-products *i.e.* bagasse, molasses and pres-mud etc. The bottom line of sugar mills will improve only if integrated downstream 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."

1.61 The Ministry in their Action Taken reply have stated :—

"So far as SDF is concerned under Rule 18 (1) of SDF Rules, 1983 Grant-in-aids to various established institutions in being provided on receipt of aplication in respect of various R&D projects for development of any aspect of sugar industry. These R&D projects may also include the projects based on by-products of the sugar mill. For encouraging the sugar industry in this regard, meetings were held by Secretary (Food) in which ISMA, National Federation of Cooperative Sugar factories and other Associations, Financial Institutions and sugar industry representatives participated."

1.62 The Committee note that in a bid to promote the utilisation of by-products in a big way, the Ministry of Food undertook an excercise by convening a meeting, where under representatives of Indian Sugar Miller Asociation, National Federation of Sugar Cooperatives, Financial Institutions, sugar industry's representatives and other Associations participated. It appears that no tangible results have so far been achieved in this direction.

1.63 The Committee while reiterating their earlier recommendation desire that conversion of by-products of sugar into value-added products be taken up expeditiously and all encouragements-fiscal or otherwise be extended to them. Further, Financial Institutions and National Cooperatives Development Corporation should be prevailed upon to finance sugar complexes.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No. 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 of 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 plan 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 & recommend corrective measures to improve soil health.

Reply of the Government

(a) For providing adequate supply of disease-free seed of suitable varieties of sugarcane, assistance is given for the production of seeds, establishment of tissue culture units for fast seed multiplication and setting up of heat treatment units for treating seeds against diseases/pests under a Centrally Sponsored Scheme, "The Sustainable Development of Sugarcane Based Cropping System (SUBACS)", which was launched in 1995-96 in 21 States/UTs.

(b) The said sugarcane scheme also has components for the transfer of technology of sugarcane cultivation to farmers through organising field demonstrations and training of farmers/extension workers. Besides, Krishi Vigyan Kendras (KVK) of ICAR, State Agricultural Universities etc. are also involved in imparting training to farmers. The ICAR has planned to open at least one KVK in each district of the country as well as to strengthen the existing KVKs.

(c) Sugarcane is mostly irrigated and nearly 87.9% of sugarcane area at All-India level was under irrigation during 1992-93. Assistance is provided to farmers under SUBACS for popularising drip irrigation so that water is efficiently used.

(d) The technology of integrated pest and disease management developed by research system is being popularised in the country. The Sugarcane Scheme, SUBACS also provides assistance for setting up of bio-pesticide units for mass multiplication of bio-control agents for controlling pests of sugarcane.

(e) In order to maintain soil health, farmers are being advised to apply required nutrients based on the soil tests carried out by large number of soil testing laboratories established in the country.

[Ministry of Food, O.M. No. 5–10/96—SPY. (D–II), Dt. 30.9.96]

Recommendation No. 2

The Committee note that the present duration of some of the traditional varieties of sugarcane 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 varieites so that uninterrupted and regular supply of quality sugarcane is maintained.

Reply of the Government

The development of early maturing high Sucrose Content varieties of sugarcane is one of the objective of Sugarcane Breeding Institute, Coimbatore and Indian Institute of Sugarcane Research, Lucknow. The All-India Coordinated Research Project of Sugarcane of ICAR is providing a platform for multi-location testing of varieties developed by ICAR Institutes and Research Station of States. A number of such varieties have been released for commercial cultivation. Some of these varieties which have occupied large area are : COJ 64, COC 671, COS 687, CO Pant 84211, COS 88230 etc.

[Ministry of Food, O.M. No. 5—10/96—SPY. (D-II), Dt. 30.9.96]

Recommendation No. 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 lunch. 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 interstate also, being as low as 45 and 55 in Bihar & UP 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 propogation 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.

Reply of the Government

The Committee has recommended that a Centrally Funded Technology Mission on Sugarcane be launched to boost productivity level without any distinction between mill and non-mill areas.

In this connection, it is informed that the Ministry of Agriculture has launched a Centrally Sponsored Scheme "Sustainable Development of Sugarcane Based Cropping System (SUBACS) from 1995-96 in the country. The main objective of SUBACS is to enhance productivity in 191 districts of 21 States/UTs without any distinction between mill and non-mill areas. The impact of the Schemes will be seen in the coming years as it was launched during last year (1995-96).

Under the Scheme, assistance is provided for transfer of technology of sugarcane cultivation through field demonstrations and training of farmers/extension workers as well as supply of essential inputs like seed, pest-management, improved farm implements, drip irrigation etc. There are also programmes for monitoring adequate supply of agricultural inputs like fertilisers, pesticides, farm implements, credit etc.

In the context of the above, the Ministry of Agriculture feel that there is no need for a "Technology Mission on Sugarcane", at present.

[Ministry of Food, O.M. No. 5-10/96—SPY. Dt. 30.9.96]

Recommendation No. 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 to get regular cane supply throughout the crushing season.

Reply of the Government

The State Governments as well as sugar factories are being advised by Sugarcane Breeding Insititute, Coimbatore for a suitable mix of early maturing, mid-late maturing and late maturing varieties for getting optimum sugar recovery in early as well as later parts of the crushing season.

[Ministry of Food, O.M. No. 5-10/96—SPY. D-II, Dt. 30.9.96]

Comments of the Committee

(Please *see* para 1.12 of Chapter I)

Recommendation No. 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 Adviced 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.

Reply of the Government

In terms of sub-clauses (3) and (3A) of Clause 3 of the Sugarcane (Control) Order, 1966, the cane dues are payable by the sugar mills to the suppliers of sugarcane within 14 days of such supply or within such other-period as may be matually agreed to between the sugar mill and the cane suppliers. The cane dues, for this purpose, are calculated at the rate agreed to between the sugar mills and the cane suppliers or at the rate fixed by the Central Government (*i.e.* SMP). If the cane dues are not paid within the said period of 14 days interest at the rate of 15% for delayed payment beyond the said period becomes payable by the sugar mill to the cane suppliers.

Thus, under the statutory provisions if the cane dues are not paid by the sugar mills within 14 days of the supply of sugarcane to the mill or within the agreed period, interest at the rate of 15% becomes payable by the sugar mills to the cane suppliers for delayed payment on the amount of cane dues calculated at SMP fixed by the Central Government or at the price calculated at the rate agreed to mutually between the sugar mill and the cane supplier. If the agreement between the sugar mill and the cane suppliers is for payment of cane price at the rate which is more than SMP or if, in any State, the agreed price is fixed by the State Government the interest is to be calculated on such price.

[Ministry of Food, O.M. No. 5-10/96—SPY. D-II, Dt. 30.9.96]

Comments of the Committee

(Please *see* para 1.21 of Chapter I)

Recommendation No. 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.

Reply of the Government

Under the Sugarcane (Control) Order, 1966 the powers have been delegated to the concerned State Governments to demarcate reservation/assigned areas for purchase of sugarcane by the sugar factories. The State Governments have accordingly been advised to keep the rcommendations of the Committee in view while demarcating the reserved/assigned areas.

[Ministry of Food, O.M. No. 5-10/96—SD-II, Dt. 30.9.96]

Comments of the Committee

(Please *see* para 1.24 of Chapter I)

Recommendation No. 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 invoke 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, shuld be implemented in letter and spirit, so that neither farmers nor sugar mills are put to loss.

Reply of the Government

Under the Sugarcane (Control) Order, 1966, the powers relating to agreements between the sugar factories and farmers/farmers' societies for purchase of sugarcane from the farmers/societies have been delegated to the States. The State Governments have been advised to keep the recommendations of the Committee in view.

[Ministry of Food, O.M. No. 5-10/96—SD-II, Dt. 30.9.96]

Recommendation No. 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.

Reply of the Government

State Governments have been advised to keep the recommendations of the Committee in view and to ensure correct weighment of sugarcane and to minimise the waiting period.

[Ministry of Food, O.M. No. 5-10/96—SD-II, Dt. 30.9.96]

Comments of the Committee

(Please *see* para 1.30 of Chapter I)

Recommendation No. 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.

Reply of the Government

As per existing Rules/guidelines, the scheme (s) for which grants and loans are provided, does not include expenditure for construction of roads in the area of the mill but in view of the recommendation of the committee the matter will be placed for consideration before the standing Committee. However grants in aid, under the SDF Act, 1982 are given only for the purpose of any research project aimed at development of sugar industry.

Supplementary Reply of the Government

As per existing Rules/guidelines, the scheme for which grants and loans are provided, does not include expenditure for construction of roads in the areas of the mill but in view of the recommendation of the Committee, the matter was discussed in the 51st meeting of the Standing Committee on SDF held on 16.10.96 in New Delhi. The Committee recommended that the construction of roads facilitating transportation of cane may be allowed as a component of the cane development programme of sugar mills and a loan out of SDF could be provided on merits to the desirous sugar mills. The Ministry has accepted the recommendation.

[Ministry of Food, O.M. No. 5-10/96—SD-II, Dt. 30.9.96 & 24.2.1997]

Recommendation No. 17

The problem of rationale and equitable distribution of available sugarcane to Sugar, Gur, and Khandsari industry is not only significant for stablising 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.

Reply of the Government

A study has been initiated by the Indian Institute of Sugarcane Research, Lucknow to forecast the production and demand for sugar that will, *interalia,* consider the impact of other sweetening agents like Gur and Khandsari. It needs, however, to be stated that unlike sugar, manufacturing units, which are at present under complete control of the Government, Khandsari and Gur units are not subject to any such restrictions. The result is that Gur and Khandsari units enjoy a much greater degree of latitude than the Sugar Industry in adjusting to the economic realities of the situation arising out of the surplus or shortage of sugarcane production. It is hoped that with more liberal licensing of sugar manufacturing units the reliance of sugarcane producers on Khandsari and Gur units would lessen and it would bring in its wake greater equilibrium in the production and utilisation of cane.

[Ministry of Food, O.M. No. 5-10/96—SD-II, Dt. 30.9.96]

Recommmendation No. 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 shot 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.

Reply of the Government

The Government has determined the minimum economic size of a sugar plant as 2500 TCD. As such the new sugar plants are allowed to be set up with initial capacity of 2500 TCD. There is no maximum limit of such capacity. In fact some new plants have been sanctioned/approved with a capacity of 5000/6000 TCD. Further as per the licensing policy guidelines announced by the Govt. on 8.11.1991 preference in licensing is being given to the existing sugar factories to increase their capacity to the minimum economic size to 2500 TCD. As per the present policy of the Govt. the sugar factories are being encouraged to expand their capacity in order to improve their viability and crush all the available cane in their areas of operation. During the 8th Five Year Plan (1992-93 to 1996-97) as on 30.6.1996, 84 applications were received from the existing sugar factories for expansion of capacity and 52 Letters of Intent have been granted LOIs for effecting expansion in their capacities, their Capacity-wise break-up is as under:

Upto 2500 TCD	Above 2500 TCD and below 5000 TCD	5000 TCD & above
29	3	20

The maximum limit of expansion asked for/permitted is 10,000 TCD. 6 factories have been permitted to expand their capacity to 10,000 TCD. Furthermore, the procedure for examining the proposals received for expansion of capacity in the existing sugar factories has been streamlined in order to curtail delay in grant of LOIs. The sugar factories are free to undertake cane development programme in their areas of operation to meet their requirement of expanded capacity.

The incentives are also admissible to new and expansion projects which have been issued either letters of intent or industrial licences, where licence was issued in the first instance or endorsements on licence under Press Note No. 15 dated 27.5.1986, during the period 7.9.90 to 31.3.94 subject to their fulfilling the conditions of the Incentive Scheme.

It may be mentioned that the Committee constituted to formulate development programe for sugar industry for the 8th Five Year Plan had envisaged 134.13 lakh tonnes of sugar production for the season 1994-95 while the actual sugar production achieved with the existing capacity was 146.43 lakh tonnes. During the current sugar season, 1995-96 the sugar production upto 30.6.1996 has already crossed 16 lakh tonnes. There is a large licensed capacity still remaining to be implemented, being in many cases in the process of implementation.

[Ministry of Food, O.M. No. 5-10/96—SD-II, Dt. 30.9.96]

Recommendation No. 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 percent of total production of each sugar unit 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 of Sugar 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 loopholed.

Reply of the Government

The above rcommendations of the Standing Committee has been complied with and the State Governments have been directed to gear up their machinery to plug such loopholes in the supply of sugar under Public Distribution System and the action taken in this regard may be informed to this Ministry at the earliest.

[Ministry of Food, O.M. No. 5-10/96—SD-II, Dt. 30.9.96]

Recommendation No. 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 detrmined 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 Committe 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 determining release of quote of a sugar unit, the Committee recommend that Government should evolve/ frame guidelines for the purpose.

Reply of the Government

The quantum of monthly freesale quota for internal consumption is decided having regard to production, stock requirement, availability of other alternate sweetners like gur and khandsari, price trends, etc. The release mechanism is regulated in a judicious manner in order to maintain the price of sugar at reasonable levels to the consumers as well as to enable the producers to pay remunerative cane price to the cane growers. Keeping in view the better availability of sugar and recommendations of the Standing Committee, the Government have been releasing freesale quota of sugar for interenal consumption on long term basis as per details given below:

As per the announcement made on 6th June, 1996 the following releases have been made for the next three months *i.e.* July 1996, August 1996 and September, 1996 :

Month	Quantity of Freesale Sugar to be Released (Lakh Tonnes)	
July, 96	7.25	
August, 96	7.25	Announced for 3 months
Sept., 96	7.25	

It may be mentioned here that earlier also freesale quota for the months of February 96 and March 96 (two months) and April 96 to

June 96 (3 months) was also announced on the above mentioned basis. The detail is as under :

Month	Quantity of Freesale Sugar Released (lakh Tonnes)		
February, 96	6.25		Announced for two months
March, 96	6.25		
April, 96	6.60		Announced for 3 months
May, 96	7.25		
June, 96	7.40	+0.50	Addl.

[Ministry of Food, O.M. No. 5-10/96SPY D. II Dt. 30.9.96]

Comments of the Committee

(Please *see* para 1.56 of Chapter I)

Recommendation No. 31

The Committee note that population figure of 1.10.1986 forms basis of allocation of levy sugar which is 425 grames 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 Govrnments, 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 reevisd at regular intervals.

Reply of the Government

In this connection, it would be recalled that the sugar production declind continuously during the sugar year 1992-93 and 1993-94 being 106.09 lakh tonnes and 98.24 lakh tonnes respectively, the Government had to withdraw 5% adhoc increase allowed in levy sugar (Since August, 91) w.e.f. April, 1994 Keeping in view better avialability of sugar during 1994-95 sugar season, the adhoc increase of 5% was restored in September, 1995.

In view of the increased sugar production during 1994-95 sugar season, Government had decided to allocate Levy sugar to the State Governments/Union Territories for distribution through public Distribution System (PDS) on the basis of the population as per 1991 Census with effect from Ist Jan. 1996 as against earlier allocation on the basis of projected population as on 1.10.96. This would enable the State Governments to improve the availability of sugar for distribution through the Public Distribution System (PDS). On this basis, the monthly allocation of levy sugar to all the States/UTs works out to 3.69 lakh tonnes as against 3.51 lakh tonnes earlier. Thus, net additional requirement per annum works out to 0.18 lakh tonnes. In addition, Government releases about 1.00 lakh tonnes per annum as festival quota, which is allocated to the States/UTs in the month(s) of their choice in proportion to their monthly quota.

[Ministry of Food, O.M. No. 5-10/96—SPY. D. II Dt. 30.9.96]

Recommendation No. 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 buffor 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, recommnd 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. Similarly, 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.

Reply of the Government

A Buffer Stock of 5 lakh tonnes has already been created from 10.1.96 for a period of one year. The other rcommendations are being kept in view.

Supplementary Reply of the Government

A Buffer Stock of 5 lakh tonnes has already been created from 10.1.96 for a period of one year. Government have decided to extend the period of this Buffer Stock by another year besides creating an additional buffer stock of 5 lakh tonnes for a period of one year.

The stock holding limits and turnover period of wholesale dealers have been enhanced to 1000 quintals and 30 days respectively. Thus, both recommendations of the Hon'ble Committee have been complied with.

[Ministry of Food O.M. No. 5-10/96 SPY D. II Dt. 30.9.96 & 4.2.97]

Recommendation No. 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.

Reply of the Government

It has been decided to decanalise the export of sugar.

Supplementary Reply of the Government

Reply of the Government

Government has decided to decanalise the export of sugar and, the 'Sugar Export Promotion (Repeal) Ordinance, 1997' was promulgated on 15.1.1997. As regards import of sugar, the same has already been placed under OGL since March, 1994.

[Ministry of Food O.M. No. 5-10/96 SPY D. II Dt. 30.9.96 & 4.2.97 respectively]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY

Recommendation No. 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 percent 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.

Reply of the Government

The cane development utilisation of loans sanctioned is being monitored by the concerned State Government. In modernisation cases the implementation of the scheme is being monitored by the IFCI and NCDC. As regards the recovery of cane loan dues the Ministry of Food is in constant touch with the concerned State Government to expedite the recovery and also with IFCI/NCDC for recovery of modernisation loans in the few cases where they have become due, as the majority of them are still in the moratorium period. Recently a decision has been taken to adjust cane development dues against the Buffer subsidy amounts (of the 1993 Buffer Stock) and Differential levy sugar claim amounts of the concerned units.

As and when required, steps are taken to simplify the laid down procedures to enable units to derive the full benefits of the scheme.

[Ministry of Food O.M. No. 5-10/96/S.D. II dt. 30.9.1996]

Recommendation No. 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.

Reply of the Government

The Ministry of Science and Technology, under which the Sugar Technology Mission is functioning, has been advised that the Sugar Technology Mission may keep the recommendation of the Standing Committee in view.

[Ministry of Food O.M. No. 5-10/96-S.D. II dt. 30.9.1996]

Recommendation No. 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 seperate 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 percent of the installed capacity has been realised. Taking into consideration the five percent 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.

Reply of the Government

After the grant of letter of intent/industrial licence, the entrepreneurs are intimated that they are required to submit their progress reports in the prescribed proforma quarterly. In the progress reports, the entrepreneurs are required to indicate the steps taken towards the implementation of the project yearwise. The progress of the projects is monitored regularly. In case the progress of the project is found unsatisfactory the Letter of intent issued to the entrepreneur is treated as lapsed or show-cause notice issued for revocation of the licence, as the case may be.

[Ministry of Food O.M. No. 5-10/96-SPY. (D. II) dt. 30.9.1996]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation No. 4

The Committee note that price of sugar cane 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 sugar cane has to be measured in terms of sugar per hectare and hence recommend that quality based sugar cane pricing policy should be introduced.

Reply of the Government

The sugarcane pricing policy of the Government is reviewed every year. The Statutory Minimum Prices of sugarcane payable by sugar factories are fixed by the Central Government under Clause 3 of the Sugarcane (Control) Order, 1966. These prices are fixed taking into account the recommendations of the Commission for Agricultural Costs and Prices (CACP) and after consultation with such authorities bodies or associations as the Central Government may deem fit, having regard to the cost of production of sugarcane, the return to the growers from alternative crops and the general trend of prices of agricultural commodities, the availability of sugar to the consumers at a fair price, the price at which the sugar produced from sugarcane is sold by producers of sugar and the recovery of sugar from sugarcane.

While fixing the SMP the Govt. announce premium for higher recovery also. For 1995-96 while fixing the SMP of Rs. 42.50 per quintal linked to a basic recovery of sugar upto 8.5%, a premium of Rs. 0.54 for every 0.1 percentage point increase in recovery of sugar was allowed. Thus, if one quintal of sugarcane produces sugar upto 8.5 kg. the farmer will get Rs. 42.50 for it. If recovery of sugar increases by 100 gm. per quintal of sugarcane above 8.5 kg. the farmers will get excess amount of Rs. 0.54 for each such

100 gm. of excess recovery. Like this premium for higher recovery is always prescribed while fixing Statutory Minimum Price. Since the CACP is the expert body which finalizes its recommendation for fixation of the Statutory Minimum Price of sugarcane after taking into account all the relevant factors the recommndation of the Committee has been passed on to them for keeping the same in view while recommending the Statutory Minimum Price of sugarcane.

[Ministry of Food O.M. No. 5-10/96. S.D. II dt. 30.9.1996]

Comments of the Committee

(Please *see* para 1.9 of Chapter I)

Recommendation No. 7

The Committee find that Rs. 587, 270 and 672 crores were outstanding against sugar industry as arrears as on 15th April, 95 during the years 1992-93, 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 immediatly on delivery of cane and price above it be paid in two equal instalments within one months 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.

Reply of the Government

As per the Sugarcane (Control) Order 1966 issud by the Central Government under the Essential Commodities Act, it is obligatory on the part of all sugar mills to pay the Statutory Minimum Price (SMP) for sugarcane to growers. In the case of State-Advised Prices of sugarcane, which are much higher than the SMP, the responsibility for ensuring timely payments of cane price dues lies with the State Governments which have the necessary powers and field organisations to enforce such payments. The Central Government, on its part, advises them from time to time to clear the arrears of sugarcane price through letters adressed to State Government authorities at higher level. As on 30.9.95, the arrears relating to '1994-95, '1993-94' and 'earlier season got reduced to Rs. 185.09 crores, Rs. 1.65 crores and Rs. 20.33 crores respectively.

Under Clause 3 (3A) of the Sugarcane (Control) Order 1966 payments delayed beyond 14 days of delivry of sugarcane would attract interest liability at the rate of 15% per annum for the period of delay. Section 17 of the U.P. Sugarcanee (Regulation of Supply and Purchase) Act, 1953 which deals with 'Payment of cane price' also contains provisions for issue of recovery certificates by the Cane Commissioner towards cane price arrears and empowers the Collector to recover the amount specified in such certificates as if it were an arrear of land revenue. In September, 93. The Government of U.P. was requested to take steps to issue such Recovery Certificates to defaulting sugar mills.

The Reserve Bank of India has been requested to consider provision of need based credit to the sugar Industry on priority so as to ease the liquidity position.

[Ministry of Food O.M. No. 5-10/96. S.D. II dt. 30.9.1996]

Comments of the Committee

(Please *see* para 1.15 of Chapter I)

Recommendation No. 8

Although the farmers are entitled to received 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.

Reply of the Government

Fax messages were sent to the Chief Secretaries of the State Governments asking for the information regarding interest accrued on delayed payment beyond 14 days of delivery of sugarcane by the supplier and the amount paid by each sugar factory situated in their respective State. The replies received from various States Governments are reproduced below :

Sl. No.	State	Information received
1.	Gujarat	In Gujarat, Sugar Industry is in Cooperative Sector. Farmer members are the real owners of the factory and democratically elected board runs the administration on behalf of these farmer members. Sugar Cooperatives in Gujarat pay the prices on instalment basis. First instalment is paid on receipt of the sugarcane, second is paid at the end of the season and the third is paid after the year is ended taking into consideration estimated loss/profit. This system is adopted from very beginning and farmer members have no objection uptill now. Hence question of charging interest on delayed payment does not arise.
2.	Maharashtra	Question does not arise since the payments of first advance were made to the suppliers within 14 days from the delivery of sugarcane.
3.	Uttar Pradesh	No interest has been paid by any of the sugar mill since 1991-92 season.
4.	Assam	Does not arise.
5.	Goa	Since all cane-payments are made within 14 days of delivery of sugarcane by the

Sl. No.	State	Information received
		suppliers, no interest is accrued on payments.
6.	Pondicherry	Cane payments to the cane growers is being paid promptly. Hence payment of interest on delayed payments does not arise.
7.	Punjab	One factory has reported that cane price payments are made on weekly basis within 14 days of delivery of cane.
8.	Bihar	Sugar factories had already been requested to furnish complete details of interest accrued, the amount paid etc. Details have not been received as yet and they are being reminded to send them quickly.
9.	Orissa	No amount of interest accrual on payment beyond 14 days of cane price has come to the notice of Orissa Government except an arrear cane price of Rs. 7,000/- of Aska is outstanding for payment cane growers from the year 75-76 to 76-77 held up under judicial proceedings.
10.	Haryana	Payment was being made regularly to the farmers. Hence, the question of accrument of interest on payment beyond 14 days does not arise.

[Ministry of Food O.M. No. 5—10/96 SPY SD—II, Dt. 30.9.1996]

Comments of the Committee

(Please *see* para 1.18 of Chapter I)

Recommendation No. 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, reimburseable to them.

Reply of the Government

While recommending fixation of SMP the Commission for Agricultural Costs and Prices do take into account the expenditure incurred on harvesting.

[Ministry of Food O.M. No. 5—10/96 SD—II/Dt. 30.9.1996]

Comments of the Committee

(Please *see* para 1.27 of Chapter I)

Recommendation No. 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.

Reply of the Government

The State Governments are being advised to take note of the recommendation of the Committee and implement the same.

[Ministry of Food O.M. No. 5—10/96, SD—II/Dt. 30.9.1996]

Comments of the Committee

(Please *see* para 1.33 of Chapter I)

Recommendation No. 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) Order, 1966 be implemented more vigorously by the States concerned.

Reply of the Government

The Khandsari Industry is in the unorganised sector. The Central Government has no control over them. Licensing of this Industry, if any, is done by the State Governments. There is a provision in the Sugarcane to (Control) Order for fixation of SMP for khandsari either by the State Govts. with the approval of Central Govt. or by the Central Govt. itself. Generally, these prices are not fixed, but in some of the years the State Govts. have been fixing these prices. During 1977-78 and 1978-79 such prices were fixed by U.P., Andhra Pradesh and Haryana. During the seasons 1982-83 to 1988-89 and 1990-91 only Andhra Pradesh had fixed these prices. However, the State/UT Govts. have been advisd to keep the recommendation of the Committee in view to consider fixing Statutory Minimum Price of sugarcane for Khandsari Units functioning in their States/UTs in terms of Clause 4 of the Sugarcane (Control) Order, 1966.

[Ministry of Food O.M. No. 5—10/96, SD—II/Dt. 30.9.1996]

Comments of the Committee

(Please *see* para 1.36 of Chapter I)

Recommendation No. 19

The Committee further note that SDF authorities meet 90 percent cost of cane Development project, the rest being contributed from the sugar unit. Although the monitoring of progress of schemes 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 beneficiary *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.

Reply of the Government

The suggestion has been noted and will be submitted to the Standing Committee of SDF for working out the modalities for constitution of an agency consisting of Cane growers representatives of Management of sugar units and State Government to monitor and channelise the development work.

Supplementary Reply of the Government

The suggestion was considered in the 51st meeting of the Standing Committee on SDF held on 16/10/96 in New Delhi under the Chairmanship of Secretary (Food). At present, the respective State Governments are monitoring the SDF assistd cane development programme, as they have the necessary monitoring expertise. The SDF loan for cane development programme of a sugar mill is released by the Government of India in 3 instalments. The second and third instalment of loan are released only on receipt of a proper utilisation certificate in respect of the previous instalment alongwith the recommendation of the State Government concerned. The Standing Committee on SDF was of the view that the existing monitoring system captured the spirit underlying the recommendation of the Parliamentary Committee. This has been endorsed by the Ministry.

[Ministry of Food O.M. No. 5—10/96/SD—II Dt. 30.9.1996 and 24.2.1997 respectively]

Comments of the Committee

(Please *see* para 1.40 and 1.41 of Chapter I)

Recommendation No. 21

The Indian Sugar Industry is functioning within the parametrs 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 aforded protection to many aged and inefficient units. Morever, licensing system often lacks transparency, is open to favouratism, nepotism and breeds corruption. For instance the basic criteria governing issuance of new licenses. *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.

Reply of the Government

Industrial license application for grant of Letters of Intent/Industrial Licences for establishment of new sugar factories are received in the

Ministry of Food through the Ministry of Industry. On receipt of these applications, references are made to the concerned State Governments requesting them to furnish information regarding cane availability, potential for development of sugarcane etc. in the prescribed proforma and their views in the matter. After receipt of the required information the proposals are put up before the Screening Committee of the Ministry of Food which has members with expertise in different fields like agriculture, technology, finance, etc. The Committee after scrutinising the proposals makes recommendations for approval or otherwise based on the available information. The Committee also gives due consideration to the views expressed by the representatives of the State Governments who are also invited at the time of consideration of the proposals of their States. These recommendations of the Screening Committee are put up to the Minister for Food and after his due approval the same are sent to the Ministry of Industry for placing them before the Licensing Committee. The potential for development of sugarcane is also taken into consideration, particularly for grant of Letters of Intents in new areas as also in the existing sugarcane areas. In some cases the projections may not fructify due to various reasons like non-implementation of irrigation schemes, bad weather conditions, non-availability of required funds etc. As such, the Letters of Intents are issued on techno-economic feasibilities of the projects keeping in view the prevailing Licensing Policy Guidelines.

The issue of delicensing of sugar industry is under consideration.

Supplementary Reply of the Government

Government have decided to continue at present the licensing of Sugar Industry and have issued revised guidelines. The licensing procedure has been considerably simplified and, *inter-alia,* includes automatic licences for expansion projects.

[Ministry of Food, O.M. No. 5-10/96, SPY D-II/dt. 30.9.1996 and 24.2.1997 respectively]

Comments of the Committee

(Please *see* para 1.46 of Chapter I)

Recommendation No. 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 by 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 for upgrading extension services, inputs and thereby improve crop yield.

Reply of the Government

The issue of delicensing of sugar industry is under consideration.

Supplementary Reply of the Government

Government have decided to continue the licensing of sugar industry and have issued revised guidelines. The licensing procedure has been considerably simplified and, *inter-alia*, includes automatic licensing for expansion project. A copy of the Guidelines issued vide Press Note No. 1 (1997 series) on 10.1.97 by the Ministry of Industry is at Annexure.

[Ministry of Food, O.M. No. 5-10/96, SPY D-II/dt. 30.9.1996 and 4.2.1997 respectively]

Comments of the Committee

(Please *see* para 1.46 of Chapter I)

Recommendation No. 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 in other than 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.

Reply of the Government

The Sugar Mills in the Cooperative Sector have been established either under the Cooperative Societies Acts of the concerned States administered by the State Governments or under the Multi State Cooperative Act being administered by the Ministry of Agriculture. Accordingly the Ministry of Agriculture as well as the State Governments have been advised to look into the matter.

[Ministry of Food, O.M. No. 5-10/96, SD-II, Dt. 30.9.1996]

Comments of the Committee

(Please *see* para 1.49 of Chapter I)

Recommendation No. 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/restructured 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 not 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 sugar quota.

Reply of the Government

The licenses issued after the process of licensing was resumed in December, 1995 do not carry any incentive of liberal freesale quota.

Supplementary Reply of the Government

Government have decided to accept the recommendations of the Bureau of Industrial Costs and Prices on incentives for new sugar industries and expansion projects with a view to improve their feasibility. Since these projects will be over and above the already established capacities, they will not impinge on the already available levy sugar supplies, and will add to the freesale supplies thereby keeping production at par with the rising demand.

[Ministry of Food, O.M. No. 5-10/96 SPY D-II, dt. 30.9.1996 and 4.2.1997 respectively]

Comments of the Committee

(Please *see* para 1.53 of Chapter I)

(Recommendation No. 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.

Reply of the Government

The matter has been examined in this Department. Though the Project Report for National Institute of Sugarcane & Sugar Technology (NISST), Mau, does not provide for R&D work in gur & khandsari, it has been decided to explore the possibility in this regard and Chief Director, NISST, Mau, has been asked to work out a proposal with cost implications to set-up R&D activities for gur & khandsari at Mau. Final decision in the matter will be taken on receipt of the proposal from the Chief Director, NISST, Mau.

At present, delicensing of sugar industry is under examination of Government and the question of exemption of modified khandsari units from controls/regulations shall be taken up subsequently.

Supplementary Reply of the Government

Government have decided to continue the licensing of sugar industry and have issued revised guidelines. The licensing procedure has been considerably simplified and, *inter-alia*, includes automatic licensing for expansion projects.

[Ministry of Food, O.M. No. 5-10/96 SPY D-II, dt. 30.9.1996 and 4.2.1997 respectively]

Comments of the Committee

(Please *see* para 1.59 of Chapter I)

Recommendation No. 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.

Reply of the Government

So far as SDF is concerned under Rule 18 (1) of SDF Rules, 1983 Grant-in-aids to various established institutions is being provided on receipt of application in respect of various R&D projects for development of any aspect of sugar industry. These R&D projects may also include the projects based on by-products of the sugar mill. For encouraging the sugar industry in this regard, meetings were held by Secretary (Food) in which ISMA, National Fed. of Coop. Sugar factories and other Associations, Financial Institutions and Sugar Industry representatives participated.

[Ministry of Food, O.M. No. 5-10/96, SD-II, Dt. 30.9.1996]

Comments of the Committee

(Please *see* para 1.62 & 1.63 of Chapter I)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation No. 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 indetermining 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.

Reply of the Government

With a view to resolve the dichotomy between the SMP and SAP, efforts are being made by the Central Government continuously. In the Sugar Ministers' Conference held in February, 1994 a Committee of Sugar Ministers of five major sugar producing States (U.P., Punjab, Maharashtra, Karnataka and Tamil Nadu) was constituted to give their recommendations in this regard. The recommendations given by them were considered in another Meeting of the State Sugar Ministers on

6.5.95. The Committee's unanimous recommendations for setting up of a National Pricing Board for fixation of prices of sugarcane was not favoured by the State of Tamil Nadu who thought that it would dilute the powers of the State Government. It was, therefore, decided to invite the suggestions/views of the sugarcane producing States to finalize the constitution of National Pricing Board. The views of some of the States like Maharashtra have not yet been received. After their views are received the same will be examined and considered to resolve the issue.

[Ministry of Food O.M. No. 5-10/96 SD-II dt. 30.9.1996]

Recommendation No. 20

The Committee are happy to note that new schemes such as co-generation have been included under the ambit of Sugar Dvelopment Fund. The Committee are of the view that by-products of sugarcane have immense potential and are an important sources 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.

Reply of the Government

Bagasse based co-generation schemes have not yet been included in the SDF schemes, as mentioned in this para. The matter is under consideration of the Government but the recommendation of the committee will be placed for consideration before the Standing Committee.

[Ministry of Food O.M. No. 5-10/96 SD-II dt. 30.9.1996]

Recommendation No. 26

Factors like inadequate availability of sugarcane, imbalances in plant capacity, obsolete plan 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.

Reply of the Government

Sick sugar mills have themselves to prepare for rehabilitation/ modernisation and get them approved by the financial institutions. Financial assistance is also available from the Sugar Development Fund (SDF) at concessional rate of interest for such rehabilitation/ modernisation schemes, subject to fulfilment of the conditions laid down. The sick sugar mills are generally not able to crush the sugarcane on account of their sickness/closure. Therefore generally these sugar mills do not enter into agreements with the farmers/society for purchase of sugarcane beyond their functional capacity. Loss, if any, suffered by any of the cane growers and compensation paid to them due to non-acceptance of their sugarcane by the sick sugar mills is being ascertained from the State Govts. concerned.

[Ministry of Food O.M. No. 5-10/96 SD-II dt. 30.9.1996]

Recommendation No. 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 300 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 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 and a source of electricity.

Reply of the Government

As mentioned in para 20 above, the inclusion of bagasse-based co-generation scheme is under consideration of the Govt.

[Ministry of Food O.M. No. 5-10/96 SPY D-II dt. 30.9.1996]

NEW DELHI;
15 May, 1997
25 Vaisakha, 1919 *(Saka)*

R.L. BHATIA,
Chairman,
Standing Committee on Food, Civil Supplies and Public Distribution.

APPENDIX I

MINUTES OF THE SITTING OF THE COMMITTEE HELD ON 14TH MAY, 1997.

Eleventh Sitting

The Committee sat from 15.00 hrs. to 16.00 hrs. on 14th May, 1997.

PRESENT

Shri Syed Masudal Hossain — *In the Chair*

MEMBERS

Lok Sabha

2. Shri Raj Keshar Singh
3. Shri Bachi Singh Rawat
4. Shri Manikrao H. Gavit
5. Smt. Chhabila Netam
6. Shri Virendra Kumar Singh
7. Smt. Sandhya Bouri
8. Shri V. Kandasamy
9. Shri D.S.A. Siva Prakasam
10. Shri Ramashray Prasad Singh

Rajya Sabha

11. Shri Onward L. Nongtdu
12. Shri K.M. Khan
13. Prof. Vijay Kumar Malhotra
14. Shri Tara Charan Majumdar
15. Shri Ram Ratan Ram

SECRETARIAT

1. Shri Krishan Lal — *Deputy Secretary*
2. Shri R.S. Kambo — *Under Secretary*
3. Shri O.P. Arora — *Assistant Director*

2. The Committee, in the absence of Chairman of the Committee chose Shri Syed Masudal Hossain, M.P. 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 Seventh Report

3. The Committee considered the draft Seventh Action Taken Report on the recommendations contained in the Fifteenth Report of the Committee (1995-96) on the subject of "Sugar" and adopted the Report without any amendment.

II. Consideration and Adoption of Draft Eighth Report

4. ** ** ** **

5. The Committee then discussed about the tentative study tour programme of the Committee which would commence *w.e.f.* 28th May, 1997 to 4th June, 1997. The Committee approved the programme with minor amendments.

6. The Committee also decided to present/lay the Reports in both the Houses of Parliament during the current Session.

The Committee then adjourned.

**Not related to this Report.

APPENDIX II

(*Vide* Introduction of the Report)

Analysis of Action Taken by the Government on the recommendations contained in the Fifteenth Report of Standing Committee on Food, Civil Supplies and Public Distribution (Tenth Lok Sabha)

(I)	Total Number of Recommendations	36
(II)	Recommendations/Observations which have been accepted by the Government	
	Para Nos. 1, 2, 3, 5, 9, 10, 11, 13, 14, 17, 23, 29, 30, 31, 32 and 33	
	Total	16
	Percentage	44.44
(III)	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's reply.	
	Para Nos. 18, 25 and 27	
	Total	3
	Percentage	8.33
(IV)	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee.	
	Para Nos. 4, 7, 8, 12, 15, 16, 19, 21, 22, 24, 28, 34 and 35	
	Total	13
	Percentage	36.11
(V)	Recommendations/Observations in respect of which final reply of the Government is still awaited.	
	Para Nos. 6, 20, 26 and 36	
	Total	4
	Percentage	11.12

(*Vide* para 1.45 of Chapter I)

GOVERNMENT OF INDIA

MINISTRY OF INDUSTRY DEPARTMENT OF INDUSTRIAL POLICY AND PROMOTION

PRESS NOTE NO. 1
(1997 Series)

SUBJECT : *Guidelines for considering applications for industrial licenses for sugar factories.*

The Government of India have reviewed the Guidelines for licensing of new and expansion of existing sugar factories issued *vide* this Ministry's Press Note No. 16 (1991) dated 8.11.91. The existing guidelines need revision in order to take into account the changes in the business scenario following economic liberalisation, the need for introducing simplified and transparent procedures and the technological changes that have taken place in the sugar industry over the years. In supersession of the aforesaid Press Note, Government have now formulate the following revised guidelines :

(i) New Sugar factories will continue to be licensed for a minimum economic capacity of 2500 tonnes cane crushed per day (TCD). There will not be any maximum limit on such capacity.

(ii) Preference in licensing would be given to the proposals involving larger capacity, modern technology and development of integrated complexes producing value added products and co-generation of power.

(iii) For the consideration of application, a revenue district will be taken as the unit. In case more than one application is received for any unit of operation, other things being equal, priority will be given to the application received earlier.

(iv) Licences for new sugar factories will be issued subject to the condition that the distance between the proposed new sugar factory and an existing/already licensed sugar factory should be not less than 15 kilometres.

(v) The basic criterion for grant of licences for new sugar units would be cane availability or the potential for the development of sugarcane or both.

(vi) Other things being equal, preference in licensing will be given to the proposals from the Growers' Cooperative Societies. However, industrial licence issued to such a cooperative cannot be transferred to any other emtity.

(vii) All applications for expansion of the existing factories will be cleared automatically.

(viii) Applications for grant of industrial licences for the establishment of new sugar factories as well as expansion of existing units should be submitted to the Secretariat for Industrial Assistance (SIA) in the Department of Industrial Policy & Promotion, Ministry of Industry, New Delhi in Form IL, alongwith the prescribed fee of Rs. 2500/-. The applications received for grant of licences would be referred by SIA to the Department of Food and the concerned State Government/UTs for their comments. If no comments are received from either Department of Food or the Concorned State Governments/UTs within one month after their comments are asked for, it shall be deemed that they have no comments to offer. The Licensing Committee would thereafter consider the application for industrial licence and make appropriate recommendations.

B. The procedure and guidelines, as given above, are brought to the notice of the entrepreneurs for their information and guidance

(ASHOK KUMAR)
Joint Secretary to the Government of India

F.No. 10 (20)/96-LP New Delhi, the 10th January 1997.

Forwarded to the Press Information Bureau for giving wide publicity to the contents of the above Press Note.

Press Information Officer,
Press Information Bureau,
New Delhi.