

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

UNSTARRED QUESTION NO:50
ANSWERED ON:23.02.2010
PRODUCTION OF SUGAR
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Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

- (a) the production, demand and supply position of sugar in the country during the year 2009-10;
- (b) whether the price of sugar has increased continuously in the recent months;
- (c) if so, the details and the reasons therefor; and
- (d) the corrective steps taken/being taken by the Government to check the sugar prices and to increase sugar production and availability in the country?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION (PROF. K.V. THOMAS)

(a): With opening sugar stocks of about 25 lac tons as on 01.10.2009 and estimated production of about 160 lac tons during 2009-10 sugar season, the availability of sugar from domestic sources is put at about 185 lac tons as against estimated demand of about 230 lac tons. To bridge the gap between the estimated demand and availability from domestic sources, the Central Government has allowed duty free import of raw and white/refined sugar upto 31.12.2010.

(b)&(c): The price of non-levy sugar (free-sale sugar) in the open market depends upon production, demand and supply of sugar, international prices, market sentiments etc. The prices have increased due to interplay of market sentiments and demand-production gap. They have also decreased responding to the measures taken by Government to augment domestic availability of sugar and enforce stock holding limits. However, the possible reasons for downturn in cane availability and sugar production in 2008-09/2009-10 sugar seasons and the consequent price rise are as follows:

- (a) Reported shortfall in both acreage and productivity of sugarcane;
- (b) delay and deficiency of rains in the south and un-seasonal rains elsewhere;
- (c) shift in acreage from sugarcane to other foodgrain crops;
- (d) more diversion of sugarcane to gur and khandsari units; and
- (e) fall in recovery rate due to less sucrose content in sugarcane.

(d): The Central Government has taken a number of steps to augment domestic availability of sugar and check increase in sugar prices (Annexure-I). The Central Government has also taken steps to increase sugarcane and sugar production in the country (Annexure-II)

ANNEXURE REFERRED TO IN REPLY TO PART (d) OF THE UNSTARRED QUESTION NO.50 DUE FOR ANSWER ON 23.02.2010 IN THE LOK SABHA.

Measures to augment domestic availability of sugar and moderate prices

Allowed import of raw sugar under Advance Authorization Scheme by sugar mills at zero duty on ton-to-ton basis from 17.02.2009 upto 30.09.2009.

Allowed import of raw sugar by sugar mills at zero duty under Open General License (OGL) with effect from 17.04.2009 and opened to private trade from 31.07.2009 for being processed by domestic factories on job basis without any cap. This facility is in force upto 31.12.2010.

Allowed duty free import of white / refined sugar by STC/MMTC/PEC and NAFED upto 1 million tons with effect from 17.04.2009. Further, duty free import of white / refined sugar under OGL was opened to other Central / State Government agencies and to private

trade in addition to existing designated agencies with effect from 31.07.2009. The cap on imports was removed from 27.11.2009. Presently, the facility is available till 31.12.2010.

Levy obligation has been removed in respect of all imported raw sugar and white/refined sugar. The white / refined sugar has been also allowed to be sold at the discretion of the importing organizations, while sugar processed from imported raw sugar is subject to accelerated releases.

The levy obligation on sugar factories has been enhanced from 10% to 20% of production for 2009-10 sugar season only.

Stockholding and turnover limits on sugar dealers were imposed vide notification dated 12.03.2009. Further, khandsari sugar has been brought under the ambit of stockholding and turnover limit from 16.07.2009. The period of stockholding and turnover limits has been further extended till 30.09.2010.

An order has been issued vide notification dated 22.08.2009 imposing stockholding on large consumers of sugar who are using or consuming more than ten quintals of sugar per month as a raw material for production or consumption or use, stipulating that such bulk consumers shall not hold sugar stock exceeding fifteen days of their requirement. The notification has come into effect from 19.09.2009. The stockholding limit has been lowered to ten days, and the revised limit has been notified on 05.02.2010 to come into effect from 20.02.2010 and will continue till 18.08.2010 (180 days).

Monthly quotas of non-levy sugar for sale by sugar mills in open market, have been sub-divided into fortnightly and periodically weekly targets for sale to ensure even flow of sugar into open market.

ANNEXURE-II

ANNEXURE REFERRED TO IN REPLY TO PART (d) OF THE UNSTARRED QUESTION NO.50 DUE FOR ANSWER ON 23.02.2010 IN THE LOK SABHA.

Steps taken by the Government to increase area under sugarcane and sugarcane production:-

(a) The Central Government has now fixed the Fair & Remunerative Price (FRP) of sugarcane payable by sugar mills for 2009-10 sugar season at Rs.129.84 per quintal linked to a basic recovery rate of 9.5% subject to a premium of Rs.1.37 per quintal for every 0.1 percentage point increase in recovery above that level. Hitherto, the Central Government was fixing the Statutory Minimum Price (SMP) of sugarcane. This FRP is substantially high over the SMP of 2008-09 sugar season which was Rs.81.18 per quintal, with an additional premium of Rs.0.90 for every 0.1% point increase in the recovery above 9%.

(b) The Sustainable Development of Sugarcane Based Cropping System (SUBACS) is one of the components of Centrally Sponsored Scheme (CSS), namely Revised Macro Management of Agriculture Scheme (RMMA). The main thrust of SUBACS is on the transfer of improved production technology to the farmers through field demonstrations, training of farmers, supply of farm implements, enhancing production of planting materials, efficient use of water, treatment of planting materials etc.

(c) The Central Government provides Concessional loans at an interest rate of 4% per annum to sugar factories from Sugar Development Fund (SDF) for modernization of plant and machinery, expansion of crushing capacity, utilization of by-products viz. bagasse for co-generation of power and molasses for production of ethanol, upgradation of technology and sugarcane development including better irrigation facilities, improved seed variety, ratoon management etc.

(d) A short term scheme has been announced for cane development in the current financial year under which loans of Rs.1.0 to 2.5 crore at 4% simple interest from the Sugar Development Fund (SDF) will be available to sugar factories depending upon their crushing capacity, for purchase of seeds, fertilizers and pesticides etc. to be passed on to the farmers at the same rate of interest.

(e) To optimize processing of raw sugar along with cane juice to produce white sugar, a scheme has been introduced in the current financial year for loans from SDF at 4% simple interest to be given to sugar factories to install balancing equipment so as to maximize availability of processed sugar from imported raw sugar in 2009-10 sugar season.