E. C. No. 709

ESTIMATES COMMITTEE (1971-72)

(FIFTH LOK SABHA)

FIFTEENTH REPORT

MINISTRY OF AGRICULTURE

(DEPARTMENT OF FOOD)

DIRECTORATE OF SUGAR AND VANASPATI

LOK SABHA SECRETARIAT
NEW DELHI
April, 1972/Chaitra, 1894 (Saka)
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INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Fifteenth Report on the Ministry of Agriculture (Department of Food)—Directorate of Sugar and Vanaspati.

2. The Committee took evidence of the representatives of the Ministries of Agriculture (Department of Food), (Department of Agriculture), (Department of Cooperation); Petroleum and Chemicals; Steel and Mines (Department of Steel); Railways (Railway Board) and Finance on the 29th November, 30th November, 1971, 4th and 5th January, 1972. The Committee wish to express their thanks to the Officers of these Ministries for placing before them the material and information which they desired in connection with the examination of the subject and for giving evidence before the Committee.

3. The Committee also wish to express their thanks to Shri V. G. Rajadhyakasha, Chairman of the Vanaspati Manufacturers' Association of India, Bombay, Shri D. D. Puri, M. P., Representative of the Indian Sugar Mills Association, New Delhi and Shri P. S. Rajagopal Naidu, President of the National Federation of Cooperative Sugar Factories Limited, New Delhi for furnishing memoranda to the Committee and also for giving evidence and making valuable suggestions.

4. The Committee also wish to express their thanks to all the Associations and individuals who furnished memoranda on the subject to the Committee.

5. The Report was considered and adopted by the Committee on the 3rd April, 1972.

6. A statement showing the analysis of recommendations/conclusions contained in the Report is also appended to the Report (Appendix II).

KAMAL NATH TEWARI,
Chairman,
Estimates Committee.

NEW DELHI;
April 7, 1972|*Chaitra* 18, 1894 (*Saka*).

CHAPTER I

SUGAR

A. Sugar Policy

1.1. The Sugar Policy of the Government of India had been attracting the attention of members of Parliament for sometime and a large number of questions were put and answered in Lok Sabha during the last two years. On the 11th August, 1971 and the 23rd December, 1971 discussions under Rule 193 of the Rules of Procedure and Conduct of Business in Lok Sabha were held where special mention was made about the policy of Government in this regard.

1.2. The Committee have been informed by the Ministry of Agriculture (Department of Food) that the production of sugar during the period from 1960-61 to 1971-72 had been as follows:—

	Lakh Tonnes
1960-61	30·21
1961-62	27·29
1962-63	21·39
1963-64	25·73
1964-65	32·32
1965-66	35·41
1966-67	21·51
1967-68	22·48
1968-69	35·59
1969-70	42·62
1970-71	37·40
1971-72	33·00(Estimated)

1.3. A non-official organisation has stated, in a written memorandum "The drop in sugar production from 30.21 lakh tonnes in 1960-61 to 21.39 lakh tonnes in 1962-63 led to imposition of sugar control from April, 1963. Under the incentives given to the industry and the growers the production rose steadily and reached a level of 35.41 lakh tonnes in 1965-66. Due to drought and other reasons, the production fell to 21.51 lakh tonnes in 1966-67. At this juncture, the Government of India introduced a new policy of partial decontrol from the season 1967-68. Under the policy of partial decontrol production steadily rose to the peak level of 42.62 lakh tonnes in 1969-70. On the 25th May, 1971, the policy of partial decontrol was abandoned and all controls over price, movement and distribution of sugar had been removed. As regards the season 1971-72, the indications are that sugar production will further drop."

1.4. The Department of Food informed the Committee, through a written note, "There was complete control on sugar during the period April, 1963 to October, 1967. During 1966-67 and 1967-68 the area under sugarcane declined by 18.8 per cent and 11 per cent respectively mainly on account of drought conditions at the time of sowing as well as during the period of growth. The policy of partial decontrol of sugar was, therefore, adopted from 1967-68 with a view to giving incentives to the sugarcane growers to bring larger area under sugarcane during the subsequent years. The policy of partial decontrol of sugar had been in force during four seasons from 1967-68 to 1970-71 up to 24th May, 1971. Under this policy part of the production of the factories (40 per cent in 1967-68 and 1970-71 and 30 per cent in 1968-69 and 1969-70) was released to the factories for sale in the free market without any price control. The basic minimum price of sugarcane was the same during these years *viz.* Rs. 7.37 per quintal linked to a recovery of 9.4 per cent or below. However, during the years 1967-68 and 1968-69 the sugar factories paid higher prices for sugarcane than the statutory minimum price as they realised higher prices on the quota of sugar released to them for sale in the open market. During 1969-70 and 1970-71, the prices of sugarcane paid were generally at the level of the statutory minimum price apparently on account of fall in prices of sugar in the open market. As a result of the policy of partial decontrol of sugar, the area under sugarcane went up from 20.47 lakh hectares in 1967-68 to 25.32 lakh hectares in 1968-69 and 27.49 lakh hectares in 1969-70 and was 26.57 lakh hectares in 1970-71. Under the shifting parties in price as between sugarcane and other food crops it is difficult to envisage in the immediate future anything approaching stability in the production of sugar. The position is further complicated by the fact that the sugarcane crop also depends upon the vagaries of the weather. Under favourable conditions, the crop may be sufficient to meet the requirements of all three sweetening agents *viz.* gur, khandsari and sugar, but under unfavourable weather conditions the crop will be less giving rise to competition for supplies between gur and khandsari on the one hand and the sugar on the other. There being no control over price or distribution of gur and khansari, manufacturers of gur and khandsari are in a better position to compete with the sugar manufacturers for supplies of cane, particularly if there is control over sugar price. There is, therefore, diversion of sugarcane from sugar to gur and khandsari production. On the other hand if the supplies of sugarcane are more than sufficient, there is slump in prices of gur and khandsari and gur and khandsari manufacturers are not able to offer high enough prices for sugarcane. There is, therefore, diversion of sugarcane from production of gur and khandsari to sugar production. The sugar policy has necessarily, therefore, to be adopted from year to year after taking into account the likely conditions and circumstances during the year and it is difficult to evolve a long-term policy. If the sugarcane production is less, incentives have to be given to step up sugar production and when there is enough of cane production, the sugar factories have to be induced to prolong the season to finish the standing cane to avoid hardship to growers. The Government have set up a Sugar Industry Enquiry Commission in September, 1970 to examine the working of the sugar industry in detail in the context of the demand for its nationalisation. One of the terms of reference is to study the problem of large fluctuations in sugarcane production and its processing into khandsari and gur and to make suggestions for securing suitable conditions with a view to achieving a balanced development in these fields, and in the light of the foregoing studies to suggest a blueprint for the development of the sugar and allied industries over a period of 10 to 15 years. The matter can be considered further on receipt of the Report of the Commission."

1.5. During evidence, the Economics and Statistics Adviser, Department of Food, stated "No doubt our long-term policy has to be the balancing of production and requirements—internal and external, while such should be the long term policy, that cannot be the policy for every year to come. In different years there will be fluctuations in production due to various factors including vagaries of nature of weather....In the last one or two years we had production which exceeded the demand and we were able to have large carry-over stock which is becoming useful in the current year when the production happens to be falling short of the demand. Therefore, from one year to another there is no doubt fluctuation in production and that can be evened out through the carry-over stocks from one year to another. This year, we may not have much carry-over left at the end of the year." He added "Another point is the role of different factors influencing the production which are—(i) whether (ii) Price; and (iii) Measures for productivity increase. All these three have a very important bearing on the production in any year. Weather happens to be very important in our country. As regards price, it influences the areas of production of the crop.

In recent years when higher price was paid to the cultivator, higher production was achieved; the minimum price was not changed in these years. The minimum price has an element of long term guarantee. We can always change the operational price or fhe price that effectively is obtained by the cultivator. Now, there is a justification in the current year for raising that price. But if you raise the minimum price, it has various implications. Suppose, we raise the minimum price for the crop to about Rs. 10|-, everybody may try to switch over sugarcane from gur and khandsari to sugar factories and factories may not have sufficient capacity to buy."

1.6. The Committee note with concern that sugar production has not kept a steady pace but has been maintaining a trend of rise and fall during the last ten years, on account of which the Government have been revising their sugar policy from year to year by putting it under control, semi-control and de-control. This indicates that there is no long range policy in the matter of sugar production which may be adequate to meet fully the internal demand and export requirements. The Committee are unable to understand how the Government have been following so far as ad hoc policy on year to year basis. They feel that this matter has been pending for a long time and the question of formulation of a long range policy keeping in view the future internal demand of sugar and also our sugar export commitments, does not brooke any further delay. They also feel that the anomaly of fluctuations will not be solved unless the sugarcane growers get a renumerative price for the cane.

B. Production capacity of sugar factories

1.7 The Committee understand "The installed capacity of the sugar industry at the beginning of the First Five Year Plan was 15.2 lakh tonnes. This was later reassessed at 16.68 lakh tonnes on the basis of higher duration and recovery. This was further reassessed in the beginning of 969 at 14.95 lakh tonnes. This was considered adequate for the First Plan period; but due to increase in consumption in the first few years of the Plan, it was decided in 1954 to licence additional capacity. To meet the growing demand for sugar, the undermentioned targets of production were fixed in the various Plans:

	Lakh tonnes of Sugar
First Plan (1951-56)	20·3
Second Plan (1956-61)	25·4
Third Plan (1961-62)	35·6
Fourth Plan (1969-74)	47·0

Against the above targets of production, licences/letters of intents have so far been issued to raise the licensed capacity of the sugar industry to about 52 lakh tonnes. The process of examination of applications for establishment of new capacity is being continued and more letters of intent may be issued to new factories and expansion against Fifth Five Year Plan target. This will be in line in view of the time lag of 4 to 5 years which usually takes place between the date of issue of letter of intent and the commissioning of the plant.

The position of the installed capacity and sugar production against the above targets is given below:—

At the end of	Installed Capacity	Production
First Plan . .	17·77	18·90
Second Plan	24·77	30·21
Third Plan	32·25	35·41
Fourth Plan (in 1969-70)	35·56	42·62
1970-71	37· 5	37·40"

1.8. During evidence, the representative of the Indian Sugar Mills Association stated that the requirement of sugar in this country would be between 50 and 60 lakh tonnes by 1973. The Government's estimate of 47 lakh tonnes was very much on the low side. A correct assessment of sugar consumption could be made during a period when the sugar was freely available. If the sugar was under control, the country could not consume more. According to the witness, the Indian Sugar Mills Association was of the considered opinion that for the planned and balanced growth of the industry, it was essential that the existing system of licensing should be continued. New licences should be issued but three factors should be borne in mind *i.e.* (i) adequancy of cane supply, (ii) the new factories should not encroach upon the cane areas of the existing factories (iii) preference should always be given to expansion rather than to creation of new capacity. The witness stated that it was true that quite a few sugar factories were installed in this country in 1933-34 and they were still operating; but every year those plants were overhauled. The sugar factory runs for about 4-5 months in a year. Sometimes when the season was long, it would run for six months. Regarding efficiency of these factories, the witness stated "Taking the industry as a whole, the efficiency of the Indian Sugar factories is almost as good as anywhere in the world." He added "In most of the factories, expansion has also gone on with the result that when the average capacity of a sugar factory 25 years ago was 400 tonnes, the average total capacity has gone up from 400 tonnes to 1500 tonnes...Some modernization of the old machinery goes on....I would say that while these factories must be theoretically 30—40 years old, but only a part of it is old and most of the part is modern. While the expansion is going on, some modernization of the old plant is inevitable."

1.9. In regard to the expenditure in installing a new factory and in the expansion of an old factory, the witness stated "The cost of installing new factory of a capacity of 1250 tons is Rs. 2.7 crores. The creation of the same capacity by way of expansion would of course depend on individual units but, by and large, a figure of Rs. 1.5 crores would be on the high side."

1.10. The representative of the National Federation of Cooperative Sugar Factories Ltd., stated, during evidence "We are opposed to the suggestion that new sugar mills may be freely licensed. We want that the licensing should be only in the Cooperative Sector and not in the Joint Stock Sector for the simple reason that this is an industry where there is direct participation of sugarcane producers in the matter of production of sugar; the growers will be the direct participants in a cooperative sugar factory which is not the case in respect of a Joint Stock Sector. That should be the general policy." Regarding cost of setting up a new factory and expansion of an old factory, he stated "The cost of a new factory of 1,000 to 1,250 tons capacity would be 250 to 300 lakhs of rupees. As regards expansion, we cannot give any accurate figure."

1.11. The Committee observe from the recommendations of the Sugar Enquiry Commission forwarded by the Department of Food. "At the end of 1970-71 and 1975-76, the requirements of sugar for internal consumption work out to 37.6 and 53.4 lakh tonnes respectively. If the export demands of 7.5 lakh tonnes and 10 lakh tonnes during the Fourth and the Fifth Plan periods are added to the above estimates, the total demand for sugar works out to 45.1 and 63.4 lakh tonnes at the end of 1970-71 and 1975-76 respectively. The additional capacities that may have to be installed during the Fourth and Fifth Plan periods work to about 12.5 lakh tonnes (1,04,000 tonnes of cane crushing capacity per day) and 18 lakh tonnes (1,50,000 tonnes of cane crushing capacity per day) respectively. In view of the usual lag between licensing and establishment of capacity, licensing may have to be suitably higher than this figure. For the present, the minimum economic size of a factory should be fixed at 1250 tonnes per day, with provision for expansion up to 2000 tonnes. The question of determination of economic size of a sugar factory may be reviewed at intervals of, say, 5 years in the light of further developments in sugar technology.

The various merits and disadvantages of having a large-size factory have been considered. The economies of scale, which result from having larger units and captive by-product plants, are well-known. These will, however, have to be weighed against certain disadvantages peculiar to an industry which depends on a raw material that is perishable and is produced by a large number of small farmers. A large-size factory of 2000 tonnes or more would require an area of nearly 20 thousand acres to feed it in the sub-tropical belt. Unless such an area consists of big plantations or is distributed over a smal number of large-size farms, the above economies may be offset to some extent, by increase in cost of transport of cane from long distances and greater driage of cane leading to loss in recovery. In addition, sugarcane cultivation in small holdings scattered widely render intensive development work by the factories difficult. As regards big factories of 4000-5000 tonnes capacity for purposes of export, these will prove economic only if they are based on large plantations. The modernisation of agriculture and development of rural areas call for the promotion of agro-industres of which sugar is one of the most important. If a large number of factories of the minimum economic size is set up, it should help the dispersal of the industry and provide a large number of "growth points" over a wider area. This would also help in promotion a more rational location pattern for the sugar industry reducing, in particular, the cost of transport of sugar. However, the need for the expansion of some of the existing units also cannot be overlooked.

Against the target of additional capacity of 30.5 lakh tonnes (or 254 thousand tonnes of cane crushing capacity per day) to be installed during the next ten year period (1965-66—1975-76), about 25.6 lakh tonnes (or 214 thousand tonnes of cane crushing capacity per day) would be required, half for the creation of new units and half for the expansion of existing units. The decision about the balance of 4.9 lakh tonnes (or 40 thousand tonnes of cane crushing capacity per day) may be taken only towards the end of the Fourth

Plan period in the light of export prospects and the recommendations of the Committee which has been appointed by Government to look into the question of establishment of large-size factories for export. Out of the capacity to be set aside fo rthe expansion of existing units, first priority should be given to the expansion of uneconomic units having installed capacity of less than 1250 tonnes per day. The uneconomic units, located in unfavourable areas, may be asked either to merge so as to operate more efficiently or to shift to areas better suited to sugarcane cultivation, preferably within the same State. In case neither of the above is feasible, the State Government should take up urgently special measures for the improvement of cane cultivation in the reserved areas of these factories. In the light of improvements made, suitable expansion in the capacity of these units may be considered some time later. Regarding the need for expansion of those units whose capacity is above 1250 tonnes each, it is felt that (a) factories, which can establish that, with small expansion, not exceeding 300|400 tonnes, they would become significantly more balanced and economic than now, should be allowed such expansion; (b) factories asking for further substantial expansion upto 2000 tonnes should be permitted such expansion if it is established that they have taken requisite steps to improve the yield per acre of sugarcane from their existing reserved areas (c) factories above 2000 tonnes should not normally be permitted to expand unless these units fulfil the condition mentioned in (b) above and also satisfy the authority concerned that (i) they would set up by-product industries like alcohol and pulp; and (ii) a substantial part of their sugar production would be supplied for export.

The additional capacity of 3.5 lakh tonnes to be created during the Fourth Plan period should be distributed over (i) new units and (ii) the expansion of existing uneconomic units to enable them to expand to a capacity upto 1250; it is expected that this would absorb practically the whole of it. However, if any balance is left, it may be issued against the genuine demands for small expansion of say, 300|400 tonnes for those factories which, with such an expansion, would become more balanced and viable. The question of issue of licences for substantial expansion of factories above 1250 tonnes may be considered against the additional capacity to be created during the Fifth Plan period. Proper technical examination of each application for expansion of existing capacity should be undertaken before expansion is granted by Government. For this purpose, the feasibility of setting up a well-equipped cell for consultancy service in the National Sugar Institute should be explored. In view of the fact that there is a large scope for increasing the yield per acre of sugarcane from its present level by suitable provision of irrigation, drainage and fertilizer and also the fact that the minimum price fixed for sugarcane is highly attractive to the cultvation of foodgrains, it would be necessary to restrict, as far as feasible, any expansion of area under sugarcane cultivation. If measures are taken to improve the yield per acre of sugarcane from this fixed area and thereby a large supply of sugarcane is assured, the factory may, in due course, be allowed suitable expansion in its capacity."

1.12. Explaining about the development of Sugar Industry in the country, the Secretary, Department of Food stated, "The targets have been fixed for sugar production to meet the needs for internal consumption and export. Before the beginning of the First Five Year Plan, the installed annual sugar production capacity in the industry was nearly 15 lakh tonnes. With the coming into being of the planned economy, the first Plan target was to raise it to 20 lakh tonnes *i.e.*, an increase of 5 lakh tonnes and in the Second Plan a similar increase of 5 lakh tonnes was envisaged. The Third Plan aimed at 36 lakh tonnes. The present target of the Fourth Plan is 47 lakh tonnes. This, of course, is under reconsideration* as Mid-term Appraisal of the Plan. To achieve this target of production, necessary additional capacity in the form of new units as well as expansion in the existing units has been licenced from time to time. The present policy of the Government is to grant new licences in the Cooperative Sector to the extent it is possible. It is only where the Cooperative Sector is not in a position to come into the picture, that the private industry is considered. He added "The licenced capacity at the present moment is 52 lakh tonnes of which 37.5 lakh tonnes have been established upto the season of 1970-71. We expect that about two lakh tonnes will be established during the current season. By the end of the Fourth Plan, the installed capacity is likely to be of the order of 45 to 47 lakh tonnes."

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*The figures in the Fourth Plan Mid-Term Appriasal December, 1971 is as follows :—

	Thousand tonnes
Actuals in 1969-70	4260
Actuals in 1970-71	3765
Anticipated 1971-72	3400
Target for 1973-74	4700
Likely achievement for 1973-74	4700
	Shortfall Nil.

1.13. The official witness stated that as a policy, the Government was licensing new sugar units mostly in the Cooperative Sector. If, however, from a certain area it was not possible to organise a cooperative, a licence was also considered for joint Stock Sector. The main criterion for licensing new units was the cane potential in the area of the proposed factory within a radius of 15 to 20 miles provided there was no factory already existing within the area of 10 to 15 miles. He added "In vliew of the high cost in setting up a new unit for a plant of a crushing capacity of 1250 tonnes a day, the investment is of the order of Rs. 280 lakhs roughly—a cooperative can be set up only with the assistance of the State Governments as they take part in the share capital of the cooperative and also guarantee the loan from financial institutions. Therefore, a cooperative is licensed only if it is recommended by the State Gobernment and in the case of Joint Stock Unit, not only is the recommendation of the State Government necessary but the capacity of the entrepreneur to raise the necessary finance and setting up the unit within a reasonable period of time is also taken into consideration. The last consideration is that when everything else being equal and when the capacity is limited, preference is given to the licensing of the new units in the backward areas."

1.14. The official witness also stated "The existing units are allowed to expand without a licence provided the additional investment on land, buildings and plant and machinery is limited to Rs. 1 crore subject to the condition that after expansion, the total capital assets do not exceed Rs. 5 crores. This does not apply to the larger houses because of the Monopolies and Restrictive Trade Practices Act. The existing units are also allowed to expand upto 25 per cent of their licensed capacity without a licence provided their investment on land, buildings and plant and machinery does not exceed Rs. 1 crore. Recently, this figure of 25 per cent expansion has been raised to 100 per cent but the overall financial ceiling remains Rs. 1 crore. This concession is applicable to all the existing factories."

1.15. In regard to the question whether some sugar factories which were in the monopoly sector and were not allowed to expand may result in these factories becoming outmoded and uneconomic, the representative of the Directorate of Sugar and Vanaspati stated "There is no restriction on the expansion of existing sugar factories. That is so even for large houses. The only restriction is that they have to come for licence. Their applications will be considered; but no applications have been put up recently by the large houses." In regard to present capacity, the official witness stated

"Last year the installed capacity was 37.5 lakh tons. This year we expect 39.5 lakh tons. Even now the new sugar factories are being freely licensed although our target in the Fourth Plan is 47 lakh tons. We have licensed upto 52 lakh tons and we have already proposed to the Planning Commission to raise the figure to 56 lakh tons."

1.16. The representative of the Directorate of Sugar and Vanaspati stated "The installed capacity in the current season 1971-72 is about 39.5 lakh tons. There are still two years remaining in the Fourth Plan period and during these two years many of the schemes which we have licenced earlier are at a fairly advance stage of erection. We expect that capacity of nearly 43 to 44 lakh tons might be established by the end of the Fourth Plan. Even with the existing capacity of sugarcane available, it is possible to increase production and there will be no difficulty in reaching the target of 47 lakh tons. However, because of the shortage of steel during the period, there has been a little set back."

1.17. In regard to modernisation of Sugar Mills, the official witness agreed with the suggestion that attention should be paid to modernisation of sugar mills so that recovery could be more and the farmers could get more money, because the wastage of sugar was more than 2.5 per cent of sucrose content and it should be limited to less than 2.5 per cent; but it was for the factories themselves to change the existing equipments. The representative of the Directorate of Sugar and Vanaspati stated "Nearly 98 per cent of the machinery is manufactured in the country. For modernisation no licence is required but generally, when they modernise, they also want to expand because that way the cost would be a little less. If the expansion is limited to one crore, no licence is required but if the cost of expansion is more than one crore, licence is required. It is given freely if applied."

1.18. The Committee note that the present target of the Fourth Plan for sugar production is 47 lakh tonnes a year and to achieve this target of production necessary additional capacity as well as expansion in the existing units has been licenced from time to time. The licenced capacity at the present moment is 52 lakh tonnes of which 37.5 lakh tonnes have been established upto the season of 1970-71. The Committee also note that at the end of the Fourth Plan, the installed capacity is likely to be of the order of 45 to 47 lakh tonnes.

1.19 The Committee agree with the view that the requirement of sugar for internal consumption is expected to rise considerably by the end of the Fifth Plan period for which planning on a long term basis should be made from now onwards. In view of the usual lag between licensing and establishment of capacity, licensing may have to be done for the higher target. Licensing can be purposeful only if the economic size of a sugar factory is determined and uneconomic units are expanded to become economic and for the balance of the capacity, new units are licenced. The Committee have no doubt that Government will keep in view the fact that the sugar producing States shall be made self-sufficient to avoid cross movement of sugar. They also note that while it is proposed to give new licences to establish sugar factories they have not come across any plan for corresponding increase in sugarcane production to match the installed capacity. On the other hand, the figures placed before the Committee show decline in sugarcane acreage.

1.20. The Committee also feel that a proper technical examination of each application for a new unit and for expansion of the capacity of an existing unit is called for and for this purpose the feasibility of a well-equipped cell for consultancy service is necessary. The Committee need hardly stress that continuous attention should be paid to modernisation of sugar mills in the interest of efficiency and reduction in the cost of production.

C. Production and Distribution of Sugarcane and Sugar

1.21. The Committee have been informed, in a written note, by the Department of Food "The production programme for the sugar industry during the Fourth Five Year Plan was envisaged at an output level of 47 lakh tonnes *i.e.* 42 lakh tonnes for internal consumption and 5 lakh tonnes for export and buffer stock to be achieved by 1973-74 partly through the expansion of existing units, and partly through the establishment of new units primarily in the cooperative sector. To achieve this target, it was decided in consultation with the Planning Commission to licence upto 48.65 lakh tonnes of capacity, so that 47 lakh tonnes of capacity might be installed by the end of the Fourth Plan—the excess licensing being to take care of infructuous licensing. Subsequently, in view of the slow progress of some of the Schemes already licensed, due to the difficulty of raising enough finances by some entrepreneurs and delay in the supply of plant and machinery owing to the shortage of steel, it was assessed that with the licensed capacity of 48.65 lakh tonnes it would not be possible to achieve an installed capacity of 47 lakh tonnes by 1973-74. It was therefore, decided to license upto 53 lakh tonnes of capacity

We have so far licensed an additional annual sugar production capacity of 11.74 lakh tonnes during the Fourth Plan in the shape of 48 new sugar factories (including 42 cooperatives) and expansion in 26 existing units, raising the licensed capacity of the sugar industry to about 52 lakh tonnes.

The production target of 47 lakh tonnes to be achieved by 1973-74 was based on the assumption that we will require by that time 42 lakh tonnes for internal consumption and 5 lakh tonnes for exports and buffer stocks. The figure of 42 lakh tonnes was arrived at on the basis that the per capita consumption by the end of the Fourth Plan might be nearly 7 kg. (the population was estimated at 600 million). The sugar consumption trend during the last three years have, however, indicated that our internal consumption is increasing at a rate faster than what we had estimated earlier. The internal consumption during 1970-71 had already reached a figure of 40.25 lakh tonnes which works out to a per capita consumption of 7 kg.—the consumption which we had expected to be reached only in 1973-74. On the basis of this rate of increase, it is now assessed that the consumption by the end of the Fourth Plan for internal consumption alone would be nearly 47/48 lakh tonnes, and if we add to this our export requirements of 3.5 lakh tonnes which we can export under the present international agreements, the total requirements of sugar by the end of the Fourth Plan works out to nearly 51/52 lakh tonnes. To achieve this production target, it is now proposed to license capacity upto 56 lakh tonnes in the sugar industry. The matter is under consideration in consultation with the Planning Commission."

1.22. The Department of Food have also informed the Committee, in a written note. "The Government generally agreed with the recommendations made in chapter on "Gur and Khandsari" of the Sugar Enquiry Commission, Report 1965 regarding measures for adoption to minimise diversion of cane in factory areas and for taking steps for improvement in and stabilisation of gur and khandsari industry. The recommendations made by the Commission have been brought to the notice of the State Governments for adoption as far as possible. The Commission had also recommended that there should be no control on distribution, price and movement on gur and khandsari. At the time the recommendations were examined there was no control on gur and khandsari except that the inter-State movement of khandsari was regulated by exporting States. These restrictions were later removed except in U.P. and Haryana. Restrictions in these States also were removed on 1st April, 1969 and 30th

May, 1969 respectively. Natural phenomenon like rainfall, frost etc. to a large extent affect the sugarcane in quality and quantity and consequently the sugar economy. In years of bumper production of cane, prices of both gur and sugar tend to fall sharply. As a measure of price stabilisation and with a view to minimising this tendency. the Tariff Commission (1969) endorsed the recommendations of the Sugar Enquiry Commission, 1964 with regard to the building of a buffer stock of sugar and also suggested that the possibility of extending this concept to gur also could usefully be examined. It also observed that conceivably, a part of the gur so stocked could later be made available for re-melting and refining into sugar. The Tariff Commission further observed that the Government should start purchasing 'gur' when its prices tend to fall below Rs. 60 per quintal in the context of the prevailing prices. The fixation of floor price of gur would involve purchase of gur by Government if the price tends to fall below the floor price. Gur has a poor keeping quality and is susceptible to damage during humid climate and also deteriorates fast during the rainy season. Hence, purchase of gur by Government can result in a huge loss. Till such time as satisfactory and low cost storage methods for gur are evolved, it would not be advisable for Government to purchase and store gur. As a result of recent experiments conducted at the National Sugar Institute, Kanpur, it has been found that gur stored in polythene bags in the cold storage rooms keeps well during the monsoon and does not deteriorate during storage. It is, however, considered necessary that further research should be conducted with a view to evolving a cheap and effective method for storage of gur without deterioration. The National Sugar Institute, Kanpur, has been asked to continue further research in this regard. Thus under the present circumstances, it is not feasible to implement any scheme for fixation of support price of gur and operation of its buffer stock."

1.23. The Committee have been informed by the Indian Sugar Mills Association that"Production of sugar, mainly depends on the availability of cane, its basic raw material which is of perishable nature. Apart from sugar factories, there are two other alternative users of cane namely gur producers and khandsaris. Being an agro-based industry, production of sugar has been subject to considerable variation depending on the availability of cane which again is influenced by a number of factors such as the climatic conditions, returns available to the growers from growing other alternative crops etc. In years of short cane crop, there is invariably large scale diversion of cane from sugar factory areas to gur and khandsaris which offer higer cane prices resulting in low production of sugar. In order, therefore, to ensure that sugar production is maintained at the desired level, adoption of the following measures is considered necessary:—

(a) With a view to enable the factories to effectively compete for cane supplies with the alternative users of cane through offer of higher cane price, Government should maintain through their mechanism of monthly releases, an economical and steady price for sugar, consistent with the cane prices paid by the factories.

(b) Factories should be enabled to participate in cane development work in their areas through suitable amendment in the State Cane Acts and Rules. Further, there should be long term reservation of compact cane zones to individual mills. Effective measures should also be adopted to ensure that the cane grown in such zones are mainly supplied to the mills concerned and is not diverted elsewhere.

(c) A policy of incentives such as remission of purchase tax on cane, rebate in excise duty etc., on cane crushed and sugar produced in the early part of the season should be followed by the Government to compensate the factories for their low sugar recovery during such period. Similar incentives should also be allowed on cane crushed late in the season to enable the industry to maximise production.

(d) The Government should adopt a steady and long term policy for sugar over a number of years and not change the same often.

As regards distribution policy, it may be pointed out that Government regulate monthly releases of sugar from the factories. The regulation of monthly releases is maintained during periods of control, partial control as also complete decontrol as at present. Through this mechanism of monthly releases Government seek to regulate supplies as also prices of sugar."

1.24. In regard to production and consumption of sugar during the last ten years, the Committee have been informed by the National Federation of Cooperative Sugar Factories Ltd. "Admittedly there has been frequently recurring disequilibrium between supply and demand of sugar in this country. There is no long range policy in the matter of production of sugar adequate to meet fully the internal demand and export requirements. The main reason is inadequate sugarcane price fixed by the Government. While prices of every commodity have risen, the sugarcane price continues to remain the same, namely Rs. 7.37 per quintal fixed from 1st October, 1967. The premium provided for better recoveries over the basic recovery of 9.4 per cent is also fixed in an unrealistic manner. The Tariff Commission (1959), the Sen Commission (1965) and the Talwar Committee (1970) examined the question of premium in depth and all have come to the same conclusion that the premium for better recoveries should be fixed on the basis of proportionality. The Government of India have not accepted this principle. They have marginally increased the premium from 5.36 p to 6.60 p per quintal for every 0.1 per cent rise in recovery over the basic recovery of 9.4 per cent. This is inadequate and does not enthuse the growers to grow quality cane."

1.25. During evidence, the Secretary, Department of Food stated "The production this year will be of the order of 33 lakh tonnes. The decline in the total sugarcane area is 3.9 per cent but in the area near the sugar factories it is 7 per cent. There has been damage to the sugarcane crop because of excessive rains from April 1971 onwards in U.P. and Bihar and there have been drought conditions in Maharashtra, Andhra Pradesh, Mysore and parts of Tamil Nadu. There was also increased incidence of posts in some sugarcane areas. These were the main reasons for drop in the cane production."

1.26. With a view to increase sugarcane production, the official witness stated "I will briefly outline the measures that have already been taken. Firstly, a rebate in excise duty on sugar has been taken. Firstly, a rebate in excise duty on sugar has been allowed, which is in two slabs. One is on sugar produced by a factory during the period 1st October to 30th November, at the beginning of the season, in excess of 80 per cent of the production of the factory concerned in the corresponding period during the previous year, on which it is Rs. 17 per quintal. In the subsequent part of the season, from 1st December, 1971 to 30th September, 1972 for excess of 80 per cent of the production of the corresponding period of last year it is Rs. 16 per quintal. Secondly, the State Governments have been requested to grant rebate in purchase tax of sugarcane on the same lines as rebate in excise has been given by the Central Government. Thirdly, the State Governments have been requested to consider the desirability of banning the establishment of new power-crushers and khandsari units in the sugar factory areas within a radius of 10 miles of the factories and also restricting the working of existing power-crushers and khandsari units in those areas. Fourthly, forward trading in gur has been suspended with effect from the 18th October with a view to checking speculative rise in the price of gur. Lastly, although the minimum cane price has been fixed according to the formula mentioned earlier, it has been made clear to the factories that they will have to pay a higher price."

1.27. The witness agreed with a suggestion that the country's production target should be 50 lakh tonnes for 1973 and 60 lakh tonnes for 1976 to cope with the present population trend and stated that the revision of targets was being considered in the mid-term appraisal of the Fourth Five Year Plan. He also stated "The installed capacity is likely to go up to about 39.5 lakh tonnes and, by lengthening the season, if sugarcane is available, the production can be more than that. It does not depend only on the installed capacity. Besides, positive steps have been taken this year (1972) in consultation with the Reserve Bank of India that when advances are given to sugar factories, a separate account is opened exclusively for payment of dues. to growers. If prompt payment is ensured, encouragement to grow cane will be there; at the same time, the programme of development of sugarcane is being undertaken."

1.28. The witness agreed to a suggestion that in order to prevent diversion of sugarcane from sugar to gur and khandsari, factories should be permitted early crushing even though the recovery may be a little less. In regard to a suggestion that the rebate should actually be on the production of more sugar than the estimates given by the factories and not on the earlier year's basis, the witness stated "I submit two points— (i) the policy does not apply to any particular area; and (ii) the idea of incentive is to get more sugar produced. What is now suggested is compensation for lower production in certain areas. That is not the intention of this rebate. We want more production rather than compensate lower production than even 80 per cent of last year. The incentive is given for something which is done better than the normal and not under-normal."

1.29. When it was pointed out that if the circumstances were unfavourable, then it is not the fault of the factories, the witness stated "This brings in the idea of compensation which is not in the mind of the Government. There may be irrigational factors or other climatic factors for less growth of sugarcane; but Government are not seeking to compensate that element. They are only encouraging wherever possible more production."

1.30. The representative of the Indian Sugar Mills Association stated "There is only 21 lakh tonnes of sugar we brought forward into the stock last year. In the course of one year, the situation has changed. Our stocks have gone down by more than 6 lakh tonnes. We have consumed 6.48 lakh tonnes of sugar more than we produced in one year. We have drawn in our reserve to the extent of 6.50 lakh tonnes of sugar in the course of one year. The consumption is being increased from year to year. I believe the Government has said that we do not expect to produce more than 32 lakh tonnes of sugar in this season. Therefore, the situation is that 14.40 lakh tonnes of sugar will be the opening stock, 32 lakh tonnes of sugar will be the expected production, thus giving a total available supply of 46.40 lakh tonnes and the corresponding figure to which last year was 58.53 lakh tonnes of sugar. If we manage to keep our internal consumption down to 42 lakh tonnes, we will not be able to have the physical stocks even to meet our export commitment." The point stressed by the witness was that unless a realistic price for sugarcane was announced now (because unless cane was sown within the next three or four months) sugarcane would not be available whatever policy Government may follow. He stated "There is no other commodity today in India or elsewhere in the world, whether agricultural or non-agricultural which is sold at the same price which was fixed for it five years ago. This is a great injustice. Each crop of cane is an item of direct expenditure and every time that the grower is purchasing whether it is fuel-oil for tractor or seed or manure or even electric power for the irrigation, is costing him very much. If for everything that the grower buys he has to pay more, where is the logic that the cane grower alone should sell and produce at the constant price."

1.31. In regard to price of sugar, the Secretary, department of Food stated during evidence, "60 per cent of the monthly release is being given to the State Governments. Perhaps there is a time lag in the supply of sugar from the factories to the effective distributors and ultimately to the consumers. There are some difficulties faced in the movement of sugar due to transport problem but now certain movement is taking place. But it will be only 60 per cent which will be available to the fair price shops to be sold at Rs. 2.00 or Rs. 2.10 per kilo. About the remaining 40 per cent there will be no control because Government feel that the position should stabilise itself." He also stated "In rural areas also there is a net work of fair price shops and it is covered very extensively. About 28 crores of population were covered by fair price shops already, and it has been augmented because of the emergency. Only commercial units and hotels are not covered."

1.32. As regards free movement and distribution of sugar the witness stated "We agree that control over distribution and movement of sugar is unnecessary in times of plenty, but it is only necessary at that time to impose a reasonable restriction on stock-holding and sales. Otherwise regulating the monthly releases is the only one in force." When it was brought to the notice of the Committee that the monthly releases were not made in time resulting shortage of sugar in the market, the Chief Director in the Directorate of Sugar and Vanaspati stated "This is not correct, because we always issue the release orders by the 22nd or 23rd and the delivery against these orders has to take place on the 1st of next month. We give a clear 7 to 8 days time for these orders to reach the factories. The announcement of the quota that has been released each month is also issued to the press quite in time. Last month, we issued orders on the 16th or 17th, giving full 15 days time for the orders to reach all the sugar factories in all parts of the country."

1.33. The representative of the Indian Sugar Mills Association stressed the need of creating a buffer stock of sugar to check its shortage. He maintained that sugar shortage could not be got over by control. He added "But at the same time, I am not suggesting that there should not be any control under any circumstances. Even when I say decontrol, it includes regulated monthly releases forcing the industry to despatch within one month for which the sugar has been released and effective steps should be taken that that sugar which is released for a month should move in that month. I am not for creating isolated pockets or larger pockets of shortage and causing inconvenience to the consumer."

1.34. The Secretary, Department of Food stated "The purpose of buffer stock is already being served by Government by regulating monthly releases from sugar factories. This is achieved without actually investing public funds and taking responsibility for storage of sugar upon Government. There are so many demands on Government funds at present for building buffer stock in so many commodities that Government have considered it necessary to limit it to the barest minimum. In the case of wheat and rice, the producer himself has no capacity for storage and it has to be undertaken by Government. Here (Sugar mills) the capacity for storage does exist. The number of mills is limited to 217 now, last year it was 215. So providing storage by Government would be a national waste of resources."

1.35. Regarding sugarcane farms owned by the sugar mills, the representative of the Indian Sugar Mills Association stated "Till about four to five years ago, the larger sugarcane farms were in-

Maharashtra, as large as 10,000 or 15,000 acres. Most of the sugar factories in Maharashtra own sugar farms. But as a result of legislation, those farms have been taken over by the State Government. They are still supplying cane to the sugar factories. One of the factors in the lower cost of production of sugarcane in Maharashtra is that the unit of production which is large is still being maintained, though the land is owned by the State through Corporation. The situation varies from State to State. In Punjab no factory has any farm. In Haryana, there is a 4,000 tonne factory but the sugarcane farm was brought down to 85,000 acres and now to 30,000. The only state in which there are still some large farms is Bihar."

1.36. The Committee feel that the sugar was actually produced in the fields and the factories only extracted it. The real producers of sugar were the cane growers. The cane crop was a long-term commitment for the grower who in all fairness deserved a remunerative return for his produce. In years of short cane crop, there is invariably large scale diversion of cane from sugar factory areas to gur and khandsaris who offer higher cane prices resulting in low production of sugar. The Committee note that while prices of every commodity have risen, the sugarcane price continues to remain the same. The Tariff Commission (1959), the Sen Commission (1965) and the Talwar Committee (1970) examined the question of premium in depth and all have come to the same conclusion that the premium for better recoveries should be fixed on the basis of proportionality and that the Government of India have not accepted this principle. They also note that the decline in the total sugarcane area is 3.9 per cent but the decline in the area near the sugar factories is 7 per cent. Besides, there was also increased incidnce of pests in some sugarcane areas. With a view, therefore, to maintain steady production of sugar, the Committee feel that it is essential that the factories get sufficient supply of cane to produce the necessary quantity of sugar which is possible only when the cane grower gets a remunerative price of his cane.

1.37. The Committee are convinced that the internal demand of sugar is going to be quite high in times to come and, therefore, it is imperative that a realistic assessment is made of both the internal and the export requirements of sugar and in the light thereof Plan targets are fixed.

1.38. In regard to distribution of sugar, the Committee would like to recommend that every possible step should be taken to see that sugar reaches, in adequate quantity and in time, the remotest corners of the country in villages by ensuring monthly releases in

time and availability of wagons etc., and that it is available at all places at reasonable prices.

1.39. The Committee have noted that big farms in certain States have been taken over by State Governments and that they are still maintained in tact and have not been broken up and are still growing sugarcane. The Committee hope that with the imposition of land ceilings, in some States, it would be ensured that there is no decline in sugarcane production.

1.40. The Committee note that both the Sugar Enquiry Commission (1964) and the tarriff Commission (1969) suggested the possibility of extending the idea of buffer stock to gur also. The Tariff Commission observed that Government should start purchasing gur when its price falls below the floor price. It has not been found feasible for Government to implement any scheme for fixation of support price for gur and operation of its buffer stock, as it has not been possible to evolve a cheap and effective method for storage of gur without deterioration. The Committee suggest that the National Sugar Institute, Kanpur should intensify its experiments in order to evolve a suitable technique for storing gur without its suffering any deterioration during storage.

D. Sugarcane and Sugar Prices

1.41. The question of sugarcane and sugar prices has been in the lime light for sometime past. It had appeared in the Press that the canegrowers were dissatisfied with the present state of affairs as they are not getting proper returns commensurate with the high investments made in cultivating sugarcane. The Kisan had now become return-conscious and, therefore, was diverting his land to other remunerative crops. This would result in decline in sugarcane acreage in 1971-72. The price of sugarcane should be fixed in such a way as not to detract the growers from growing this crop and avert serious shortages in sugar and sugarcane in the coming years.

1.42. The Indian Sugar Mills Association, in a written memorandum to the Committee stated "To ensure a steady rising trend in sugar output, it is necessary that the Government adopt realistic policies more particularly with regard to the pricing of the raw material viz., sugarcane and the end product sugar. The cane prices fixed to the growers to guard against diversion of area under sugarcane to other crops. It was in the year 1967-68 that alongwith other crops, the Government had fixed the statutory minimum cane price at Rs. 7.37 per quintal linked to a base recovery of 9.4 per cent or below. Since then, they have continued with the same statutory price for cane while there has been substantial incerase in the cost of production of sugarcane. As a result, the return from cane crop has become unremunerative to the grower and the land is being diverted from cane to other crops. This matter has been considered by the Committee of the Sugar Mills Association very carefully and they are unanimously of the view that the statutory minimum cane price should be raised to Rs. 9.00 per quintal linked to a base recovery of 9 per cent for all the regions excepting Tamil Nadu and Pondicherry where the price may be fixed at Rs. 8.00 per quintal linked to a base recovery of 9 per cent...... Likewise, Government should pursue realistic policies in regard to the price of sugar. The Association regrets to have to point out that the prices fixed by Government during control or partial control periods have been invariably found to be unrealistic which did not even cover the cost of production fully."

1.43. The Committee note that the Sugar Enquiry Commission, 1964 had observed "While favouring appropriate measures for minimising diversion of cane supplies away from sugar factories in the factory areas, it is emphasised that steps for the improvement and stabilisation of the gur and khandsari industry should be taken." It has also been stated "Stability is a vital need of the sugar economy........In view of the perishability of the cane crop and the weaker bargaining power of the sugarcane growers *vis-a-vis* the sugar manufacturers, the regulation of sugarcane price is both desirable and necessary. However, what needs to be ensured is only a minimum and not a fixed price. Decontrol of sugar price, by enabling the cane price to vary above the prescribed minimum level, will help to maintain the above parity and thus reduce fluctuations in sugar output."

1.44. The representative of the Indian Sugar Mills Association stated, during evidence "Unless a remunerative price is paid to the canegrower, this country will be in a perpetual state of sugar shortage." He added that in 1965-66 the price was Rs. 5.41 per quintal, in 1967-68 it was Rs. 5.54 per quintal and the price paid for cane was between Rs. 13 and Rs. 15 per quintal. This was the first time that a proper remunerative, competitive price was paid for cane and in the following year i.e., 1968-69 sugar production went up from 27.43 lakh tons to 33.90 lakhs tons but in the year 1969-70 it was 42 lakhs tonnes of sugar. This increase to Rs. 13—15 in the cane price, had yielded good results for two years. During 1967-68 the price of sugarcane was raised to Rs. 13—15 per quintal but during 1968-69, Rs. 10/- were paid and during 1969-70 and 1970-71 Rs. 7.5 were paid. The result had been:

		Lakh tonnes
Sugzr production	1968-69	35·59
Sugar production	1969-70	49·63
Sugar production	1970-71	30·67
Sugar production	1971-72	32·07

1.45. The witness maintained that cane for the year 1972-73 was going to be sown now and the price that would be fixed for the cane in the current year was going to have a major or a determining and a conclusive effect on the cane that would be sown. In reply to a question, he stated "There was a double-decker price structure in the sugar industry ever since partial decontrol was introduced. It was the difference between the controlled price and the free market price which enabled the industry to pay a price for cane which was higher than the statutory minimum." It was added that even when there was control, case after case went to the courts and the courts had ruled that the price fixed for sugar having regard to taxation and everything else was not a fair price. Even when the courts of law had said that the Government were not paying a fair price, the Government did not take any action. When asked as to how more price could be given to the sugarcane grower without increasing the price of sugar, the witness stated "It can be done if taxes are reduced."

1.46. The representative of the National Federation of Cooperative Sugar Factories informed the Committee, during evidence "We had recommended Rs. 10/- per quintal to be fixed as the minimum price for sugarcane after very careful consideration of the supply and demand position, the availability of sugarcane and the high gur prices......Prices of the inputs, labour wages, water charges, etc. have risen significantly during the last five years and these should be duly taken into consideration for fixation of cane prices.... The Tariff Commission, the Sen Commission and more recently the Talwar Committee, had all unanimously recommended that the premium for recoveries higher than the basic recovery should be fixed on the basis of proportionality. The Government have not accepted these recommendations." He added "There is at present no control over the price, distribution and movement of sugar. Sugar consumption in the country rose to 40 lakh tonnes in 1970-71 and the year closed with just 14·5 lakh tonnes of stocks. The sugar production in the year 1971-72 is expected to drop to about 33-34 lakh tonnes......We may have to curtail, if not suspend, the exports. We may be able to manage the sugar situation in 1971-72 with the carry over stocks, but we may have practically little stocks at the close of the season. Sugar situation during 1972-73 will, therefore, once again become extremely difficult. It is high time that some bold measures are taken to reverse the declining trend in sugarcane and sugar production." In reply to a question, the Committee were informed that if the growers knew what price they were going to get, well in advance, they will try to regulate the cane plantation.

1.47. The Secretary, Department of Food, explaining the significance of the minimum price (Rs. 7. 37 per quintal of sugarcane), stated during evidence, "the significance of the minimum price is to ensure that since the cultivators are compelled to sell the cane to a particular factory, a price below that level, being uneconomic, should not be paid to them. But the factory, naturally to attract the sugarcane grower will pay an economic price according to the realisation that it makes......Now the Government have felt that if they raise the minimum price of sugarcane, that would probably set up a spiral of higher prices not only in sugar but in other commodities also......As explained earlier, it was the totality of the five considerations (first is the cost of production of sugar cane; the second is the return to the grower from alternative crops and the general trend in prices of agricultural commodities; the third is the availability of sugar to the consumer at a fair price; the fourth is the price at which the sugar produced from sugarcane is sold by the producers of sugar; and the fifth is the recovery of sugar from sugar cane.) which impelled Government to come to the decision that the minimum price of the sugarcane may be maintained for the five years at the same level."

1.48. The Economic and Statistics Adviser, Department of Food, stated "This price of Rs. 7.37 is still in excess of the cost of production of the sugarcane. Perhaps, this being a long term guarantee price, this level has a validity."

1.49. The Joint Secretary and Financial Adviser, Ministry of Finance informed the Committee that so far as the question of sugarcane price was concerned, the advice of the Finance Ministry was "The notional minimum price of Rs. 7.37 need not be increased."

1.50. The Secretary, National Cooperative Development Corporation (NCDC) stated "If the price of gur and khandsari is higher, naturally there will be more diversion of cane to gur and khandsari production. The sugar factory, in order to attract cane, in that situation, will have to offer higher prices to the growers. Higher prices mean that the cost of sugar will be higher. If they are able to get a higher price for sugar, then they will be able to give a higher price for sugarcane. If the sugar price is not high enough, they will not be able to pay that price to the grower to attract his cane." He maintained that it was the gur and khandsari manufacturers who determined the price of sugarcane. With a view to attract more sugarcane, the sugar manufacturers have to compete with gur and khandsari manufacturers. He stated "In a year of scarcity when the cane supply is not abundant, the price gur and khandsari manufacturers offer is high and that becomes the determining price for sugar factories also; but when there is abundant supply and prices have crashed, gur and khandsari manufacturers do not pay that much. They may close down early, they may run for 10 or 15 days or not at all; but sugar factories are obliged to give the minimum price and they also work much beyond the season at a loss because the cane gets dried up and the sugar content goes down. There is pressure from the growers and Government and they must take the cane; but nobody asks the Khandsari manufacturers to take away the cane and crush all of it. However, the sugar factories are asked to do so. That way it has affected their economies."

1.51. The Secretary, Department of Food stated "In a year of abundance—we have to take all the sweetening agents together—prices of sugar, because of availability of sugarcane, have no relevance to the price of gur and khandsari. In a year of scarcity, because of competition between various sectors prices of one do affect the other." He also stated "Government fixes the minimum price and not the maximum price. So far the grower has been getting a very raw deal. At the present moment the grower is getting higher price than this but action has also to be taken to stop further rise in sugar price......The interest of the consumer has also to be kept in view alongwith the interest of the growers. Action is being taken to control the price." In regard to fixation of sugar price, he stated "In fixing the average price of Rs. 150 per quintal ex-factory, without excise, which leads to Rs. 2/- per kilo, there were demands from certain factories that the price should be higher than Rs. 150/-. But the reply given to them was that in certain factories the price is lower and it will be difficult to fix the price factory by factory for retail distribution throughout the country. So, the average price has to be worked out which will be more comfortable for few factories and more harsh towards others." He also stated "Actually the price each year is determined by the Agricultural Prices Commission after going into details of the inputs etc. used for the production of the sugarcane and also the price of other crops. It is revised from year to year. But this year the actual prices, being paid, are fairly high. Next year there is an anticipation that the area under sugarcane will be much larger." When asked whether it was a remunerative price, the witness stated "It is average price, not for each individual factory but for the industry as a whole, price negotiated with them on particular formula arrived at."

1.52. The Economic and Statistics Adviser, Department of Food stated "As regards cost of production of sugarcane, I might say that we don't have comprehensive data on the cost of production. It is from the current year that a scheme for cost of production data has been launched in the country and we will be able to give a dependable and reliable data after one year."

1.53. The Joint Secretary, Department of Cooperation agreed to a suggestion that it would be desirable if there could be coordinated arrangements for the supply of sugarcane in a particular area both for the purpose of cooperative sugar factories and for gur and khandsari units. He stated "This could be one of the ways whereby fluctuations in regard to the price of sugarcane from year to year resulting in large production in a particular year followed by less production next year, could be avoided. I feel that this should not be impossible, given legislative and other support from Government."

1.54. In regard to arrears of cane prices the representative of the Indian Sugar Mills Association stated, during evidence, "We recognise that it is highly deplorable that there should be any arrears of cane price at all. There is no reason why, when a raw material is purchased, its price should not be paid promptly." He added "One of the factors for the arrears is lack of bank finance. The other point is that in the release of sugar Government has been following a very discriminating policy. The arrears of cane payment as on 30th September, 1971 were as follows:—

	Per cent
Western and Central U.P.	5·04
Eastern U. P.	10·42
Bihar	4·58

	Percent
West Bengal	0·5
Assam	2·74
Haryana	0·1 7
Punjab	0·13
Rajasthan	2·14
Madhya Pradesh	0·61
Orissa	80·93
Andhra Pradesh	1·63
Gujarat	1·6
Maharashtra	6·17
Mysore	5·05
Kerala	1·02
Tamil Nadu	12·46
Pondicherry	8·34

The total amount of arrears as on 30th September, 1971 was Rs. 16.85 crores."

1.55. The Committee were informed by the representative of the Indian Sugar Mills Association "Only in the last two years the sugar stock was raised from 5-6 lakh tons to 20 lakh tons. For a 20 lakh tons buffer stock, Rs. 250 crores of additional finance was needed. The banking structure could not meet it. The Minister made a statement that they were considering the question of building of finance for building up the buffer stock, they say they have no money." It was also stated "We have made study as to what is being done in other parts of the world and our information is that the farmer is paid about half price or 60 per cent initially and the remaining price is paid when the sugar is sold out....Cooperative also pay initially a small price and the rest is paid at the end."

1.56. The representative of the National Federational of Cooperative Sugar Factories informed the Committee, during evidence "In Maharashtra, the practice is that cane advance is paid to the grower. Maharashtra never worries about what is the minimum price fixed by Government. There the cooperatives fix a tentative price as advance price and sometimes it is more than the minimum Price fixed by the Government, ex-field. And at the end of the year, they settle the accounts with the grower taking into account the profits etc. Maharashtra factories and also every other cooperative factory gives advances to the growers by way of credit. So along with the cane supply, we go on adjusting the accounts also. So, we do not observe this minimum price that is payable, whether it is paid in time or not, because straightaway we give advances to the grower." In regard to arrears of payment in U.P. Cooperatives, the Committee were informed that there were some arrears but that had since been cleared.

1.57. The witness stated "The general pattern is that the moment the cane is supplied to the factory, within a fortnight all the cooperative factories pay the value of the cane to the grower deducting proportionately the advances that have been paid by the sugar factory to the grower. If they advance at the rate of 1000|- per acre and if they supply cane worth 500|-, we do not deduct the entire 500|-, but only say Rs. 50|- and the balance shall be deducted in the future supplies. We do not keep anything in arrears or wait till the end. In the case of Maharashtra, the pattern is different. They pay the fixed amount by way of advance. In the end, they look into the account and settle it. There is absolutely no withholding and we do not wait for the sugar to be sold out." When asked as to from where they arrange the money, the Committee were informed that the growers were paid according to their requirements right from the beginning. If it was found that the funds available were not sufficient, money was borrowed from the bank against the sugar stocks. When it was brought to the notice of the witness that some factories had been experiencing difficulty in getting advances from the banks, the Committee were informed by the witness "We had no such difficulty. Many factories have got their own amount in the bank;" It was added "The Cooperatives enjoy a strong credit structure. In times of need, we can get loans from the District Cooperative Banks, then there are State Cooperative Banks and all that. We do not hypothecate, we straightaway get short-term loans, medium-term loans etc."

1.58. The Secretary, Department of Food stated during evidence "As regards the question of arrears of payment to canegrowers, undoubtedly, the position was quite bad at the end of last year. Upto March 15, the total arrears were Rs. 58.84 crores; they came down, as on 31st May to Rs. 42.68 crores; as on 30th June to Rs. 31.05 crores; as on 31st August to Rs. 20.11 crores; as on 31st October to Rs. 12.82 crores and the latest figures, that is, as on 30th November, 1971 has come down to Rs. 9.10 crores. So, there has been a substantial reduction. We have been taking certain measures and the main one is the arrangement now made with the Reserve Bank of India of having a separate account when they make advances to sugar factories for sugarcane only. Banks would make advances only to the factories. So far as Banks are concerned, there will be separate account which is to be utilised only for purchase of cane, whether from growers directly or from the cooperatives. However, it is the State Governments who have to take measures and some of them have made recovery of arrears as recovery of land revenue arrears but the State Governments are not vey rigidly enforcing that. We have been using our influence with them to bring down the arrears and we have substantially succeeded in that."

1.59. The Committee feel that the price of sugar cannot be considered in isolation but has naturally to be linked with its cost of production and the general price trend of other commodities in the country. They agree with the view that there is dissatisfaction amongst the canegrowers as they are not getting proper return commensurate with the high investment made in the cultivation of sugarcane. As a result, the land is diverted from cane to other crops. Besides, the regular supply of cane to the sugar factories is also affected because of higher price of cane being paid by the gur and khandsaris. The Committee note the Government's contention that if the minimum price of sugarcane is raised, it wil set up a spiral of higher prices not only in sugar but in other commodities also, but they nevertheless feel, to keep stability in the sugar econnomy, Government should fix a remunerative price for the sugarcane which only would guard against diversion of areas under sugarcane to other crops thereby removing the grievance of the grower that he has been getting a raw deal.

1.60. The Committee fail to understand as to why Government have not been able to collect data inspite of the recommendation made by the Committee in this connection in para 19 of their Hundred and Twenty-seventh Report (1960-61) to the effect that an assessment of the cost of production of sugarcane should be made early in order to fix the minimum price of sugarcane to be paid to the producers which was accepted also by the Government. They fail to understand as to how in the absence of any reliable data the Government have been, so far, fixing the minimum price of sugarcane. The Committee, however, not that Government have since launched a scheme to collect such a data which is expected to be a abailable in about a year's time.

1.61. The Committee would also like Government to examine the suggestion to make coordinated arrangements for the supply of sugarcane in a particular area both for the purpose of 'gur and khansari' and 'sugar' whereby fluctuations in regard to the price of sugarcane from year to year resulting in large production in a particular year followed by less production next year, could be avoided.

1.62. As regards the arrears of cane prices the Committee agree with the view that it is highly deplorable that there should be any arrears of payment of cane prices, at all. They do not see any reason as to why, when a raw material is purchased, its price should not be paid promptly. They would like to recommend that some deterrent action should be taken against the defaulting factories to save the interests of the poor canegrowers.

1.63. The Committee note that an arrangement has now been made with the Reserve Bank of India of maintaing a separate account when they make advances to sugar factories for sugar-cane only, which is to be utilised for the purchase of sugarcane. Government may ensure that the progress of payment to the sugarcane growers is watched by the banks from week to week during the crushing season and twice a month during the rest of the season so that the arrears do not accumulate. Some States have also taken measures for recovery of sugar cane arrears as recovery of land revenue but the State Governments are not very rigidly enforcing it. The Committee would like Government of India to ensure that these measures are enforced rigidly so that the present arrears are liquidated early and there are no arrears in future.

1.64. They also recommend that the difficulty of factories in getting loans from Banks against their sugar stocks may be looked into so that they are in a position to meet at least their liabilities of cane growers and factory workers promptly.

E. By-Products

1.65. The Committee understand that the important by-products of the sugar industry are as follow:—

(a) Molasses

(b) Bagasse

(c) Press-mud.

(a) *Molasses*

1.66. Of the by-products, maximum utilisation takes place of only Molasses, which accounts for about 3.5 to 5.0 percent of cane crushed by the vacuum pan sugar factories and about 7 to 8 percent in the case of khandsari units. Molasses commands a good market both for internal consumption, as well as for export purposes. The distribution, sale and prices of molasses in certain States like Assam, Madhya Pradesh, Kerala, Gujarat and Mysore are governed by the Central Molasses Control Order 1961 and in other States, the State Governments have enacted Molasses Control Acts and framed rules thereunder to control the price and distribution of molasses. The Central Molasses Control Order 1961 and the State Molasses Control Orders have laid down the following provisions:

(i) The factories are required to sell molasses to a party as specified by the State Molasses Controller by a special or general order.

(ii) Molasses have to be removed from the factory premises with the written permission of the Molasses Controller.

(iii) Every owner of a sugar factory has to provide (a) covered storage for the safe preservation of molasses in stock (b) adequate arrangement to prevent mixing of old molasses with fresh molasses and (c) adequate facilities for handling of molasses including taking out of samples and the pumping and loading of molasses into tank wagons, tank lorries or other containers.

1.67. In regard to price, the Committee understand that the present price is very much uneconomic and does not even cover the cost of storage. The Committee also understand that the bulk of molasses produced in the country is used by the distilleries manufacturing industrial alcohol and potable spirit. Molasses is also used in small quantities in the manufacture of cattle feed and tabacco curing etc. It has also been stated "In a recent judgement the Andhra Pradesh High Court had struck down the extension of Molasses Control Order 1961 to Khandsari molasses on the ground that the price fixed namely Rs. 0.67 per quintal was such an absurdly low price that it constituted unreasonable restrictions on the right to hold property as well as the right to carry on business and therefore the order violated Article 19(i) (f) and (g) of the Constitution. The High Court further held that the Central Government was not justified in completely ignoring the cost of production of molasses on the ground that it was a by-product. Simply because a commodity was a by-product of the process of manufacture of another commodity, it could not be said that the producer does not incur any cost on producing the former. The Court also observed that the sale price of a commodity cannot be determined with reference to the price which any industry can afford to pay for, in order to provide goods at a reasonable price."

1.68. During evidence. the representative of the Indian Sugar Mills Association stated "Molasses were controlled at a price of 67 paise per quintal, which did not cover even the cost of its storage. He, therefore, suggested that molasses should be decontrolled and those sugar factories which would like to set up their own distillery may be given licences for that purpose. He added "Molasses has two uses-alcohol or potable liquor.... In so far as drinking of liquor is concerned, there is such a wide margin that one of the State Governments—the Punjab Government was able to purchase molasses against 67 paise per quintal (controlled price) but they were able to pay Rs. 1.75 per quintal (open price for khandsari molasses) because of the excise revenue and the profit coming to the State Government as a result of converting the molasses into potable liquor. In Punjab and Haryana 100 per cent of the alcohol is going into the potable liquor. In so far as the industrial alcohol is concerned, some control on the molasses might be justified and that should be at a higher price, but in so far as alcohol for drinking purposes is concerned, there should be no control."

1.69. The representative of the National Federation of Cooperative Sugar Factories stated "The price of molasses per ton ex-factory has been fixed at 6.75 for the last three decades and two years. We have been agitating in the past so many years to increase the price of molasses but it has not been done. In the first instance we would be glad if the subject of molasses which is now being looked after by the Ministry of Petroleum and Chemicals, be handed over to the Food Ministry. The Petroleum and Chemicals Ministry is interested only in the manufacture of industrial alcohol; they do not care what happens to the factories which manufacture molasses.... we understand there is a certain amount of price control in the matter of industrial alcohol but in the matter of potable alcohol, the price is not controlled. There profits are very much more as compared to the sugar factories. This 6.75 is absolutely inadequate. The international market price of molasses is about 17 dollars per ton. We should also fix the price of molasses at about Rs 13 per ton."

1.70. During evidence, giving a brief legal position about molasses, the representative of the Ministry of Petroleum and Chemicals stated "Over the larger part of the country, the price and distribution of molasses is controlled through the Molasses Control Order, 1961. It has been promulgated under section 18(g) of the Industries (Development and Regulation) Act, 1951. There are five States which are not covered by the control order. These States are: Bihar, West Bengal, Maharashtra, Punjab and U.P. These States have their own Molasses Control Act. The Ministry of Petroleum and Chemicals are not aware about the allegation that Molasses was taken by State Governments at a very cheap rate and was in turn sold at a much higher price. It seemed unlikely that they would be transacting at a price higher than the controlled one, because that would be illegal and that amounts to violating the Central Control Order or the State(s) Act."

1.71. In regard to low price the representative of the Ministry of Petroleum and Chemicals stated in evidence in November, 1971 "The open market price of molasses is very much more than the controlled price and that cannot be denied; but it is the opinion of the Ministry that most of the transactions take place for illicit purposes. The price for alcohol based industries is Rs. 6.70 per tonne. At the present moment the question of revision of price is under consideration of the Ministry. The Ministry is hesitant to increase the price because it is the opinion of the Ministry that any increase in price of molasses would not significantly help the sugar industry but it would hamper the alcohol based industry." As an example, he stated "This year the sugar production is 33 lakh tonnes and the corresponding production of molasses is 13 lakh tonnes. At an average price of sugar of Rs. 1100|- per tonne and statutory price of molasses at Rs. 6.70 per tonne, we find that the realisation from molasses would be only 0.2 per cent of the realisation from sugar." He, therefore, submitted that any increase in prices would marginally affect it. Even if it was doubled, it would come to 0.4 per cent but it would not in any way better the economy of the sugar industry. Explaining the position as to why the subject of molasses was being dealt with by the Ministry of Petroleum and Chemicals and not by the Department of Food which was dealing with the subject of the sugarcane, sugar and the sugar industry as a whole, the representative of the Ministry of Petroleum and Chemicals stated. "The position when the Central Molasses Order came into force in 1961, was that molasses was going waste because there were no users of molasses. Distillery capacity had not been established. As a specific policy, Government encouraged the alcohol based industry and it was on account of the alcohol based chemical industry that today there was a demand on alcohol as well as on molasses. Because the Ministry of Petroleum and Chemicals dealt with the alcohol based chemical industry, and the primary raw material was alcohol, that was why molasses is with that Ministry."

1.72. The Secretary, Department of Food, stated "The views now expressed will be considered in consultation with the Ministry of Petroleum and Chemicals and naturally the decision of the Government as to which particular Ministry should take charge of it, will be obtained."

1.73. In regard to better storage facility for molasses the representative of the Ministry of Petroleum and Chemicals stated "The question of absence of incentive to set up storage facilities because of low price of molasses, is under examination at the moment. It is being considered as to how the increase in the price of molasses should be related to setting up of storage facilities." He admitted that it was a fact that with the present realisation there would be very little incentive to set up "pacca" storage.

1.74. The Ministry of Petroleum and Chemicals have informed the Committee in a subsequent written note "The figures of production of molasses for the last three years are as under:—

	(Fig. in lakhs tonnes)
1968-69	16·71
1969-70	20·04
1970-71	16·11

The present storage arrangements for molasses are by and large far from satisfactory and adequate. Because of this, some quantity of molasses goes waste. The precise extent to which molasses does not become available for use is not readily available. The price of 67 paise per quintal of molasses was fixed under the Central Molasses Control Order, 1961. T his order is not applicable to the States of West Bengal, Bihar, Uttar Pradesh, Punjab and Maharashtra who have their own Statutes on the subject. It is well known that the sugar factories have not yet constructed adequate and satisfactory storage facilities for molasses. The Government are aware of this position. It was recently decided to increase the price of molasses by 50 per cent and the price of molasses has been revised with effect from the 5th February, 1972, as under:—

Grade of Molasses	Present price per 100 K.g.	Revised price per 100 K.g.
OPEN PAN PROCESS :	Paise	Rs.
Grade I	67	1·20
VACCUM PAN PROCESS :		
Grade I	67	1·00
Grade II	53	0·80
Grade III	40	0·60

Note:—For quality of Molasses below Grade III, the price will be 60 paise for every 40 kg. reducing sugar content there in.

It has also been decided by Government that the entire increase in the price of molasses should be funded separately and utilised solely for improving storage facilities for molasses. As mentioned above, the Central Molasses Control Order is not applicable in certain States. It is proposed to request these State Governments also to bring their orders in line with the decision of the Central Government in the interest of uniformity. It is mentioned that molasses is a by-product of sugar and separate costing in respect of this is not done by the sugar factories.

A quantity of 22.7 litres of alcohol is nomally produced out of I quintal molasses of Grade I. According to the calculations made by the Traiff Commission in its report (December, 1969) the cost of production of 22.7 litres of industrial alcohol is Rs.4.76. No cost study of potable alchohol from molasses has separately been made, and it is also not possible to work it out, as there are a large number of potable liquors made from alcohol as base material."

1.75. The Committee are unhappy to note that a valuable by-product like molasses has not received due attention in regard to the storage facilities and fixing of price. They, however, note that the price of molasses has recently been increased by Government from 67 P to Re. 1 per quintal for purposes of industrial as well as potable alcohol. In view of the fact that potable alcohol manufactured from molasses fetches a considerable high price, the Committee suggest that the sale of molasses for industrial alcohol may be fixed at a controlled price and that for potable alcohol may be allowed to be sold at free open market price. They also suggest that the quantum of release of molasses for both these purposes may be fixed at a suitable ratio keeping in view the requirement of alcohal for industrial purposes in the country.

1.76. In view of the fact that the Department of Food are responsible for sugar industry as a whole and molasses are only a by-product of sugar processing, the Committee strongly feel that it will be more rational to transfer the control over molasses from the Ministry of Petroleum and Chemicals to the Department of Food.

(b) *Bagesse*

17.7. The Committee understand that the industrial uses to which bagasse can be put are:—

(i) Fuel

(ii) Raw material for manufacture of paper, Card Board etc. Bulk of the bagasse produced in the country was only used as fuel by the sugar industry for generating steam. If bagasse is to be diverted for production of paper, the sugar factories have to use alternative fuels like coal for furnace oil and have to make alterations in the boilers to suit to burn coal or furnace oil. At present few paper factories in the country use begasse as raw material for paper. The representative of the Indian Sugar Mills Association stated during evidence that the surplus bagasse can be converted into card board and paper; but the need would be to install some large central paper mill in the area where there may be 5 to 10 sugar factories so that the surplus bagasse could be processed.

1.78. The representative of the National Cooperative Sugar Factories stated, during evidence, "There is a terrific short supply of paper in the country and it is time for the factories to think of utilising bagasse for the manufacture of paper. At present bagasse is burnt in the boilers; but such of the sugar factories which have surplus bagasse are thinking of setting up a paper manufacturing plant. Sangli have already started, they have a letter of intent issued by the Government of India and they are setting up a unit at a cost of Rs. 30 crores. The preliminaries are already going on.'"

1.79. The Chief Director in the Directorate of Sugar and Vanaspati stated, during evidence, that the main by-products of the sugar industry were begasse and molasses. Bagasse was by and large used as fuel in most of the sugar factories. Only a few factories were saving a part of the Bagasse, some of it was being used for the manufacture of Card-board. The cost of setting up a paper factory was about Rs. 20 to Rs. 30 crores. So far it had not been possible to set up a factory based on this raw-material which was not available always in sufficient quantities for being used as a raw materials for producing paper. Unless constant supply of bagasse was ensured to the paper factory it will be difficult to set up a paper factory. So far it had not been possible to invest money on a paper factory and to work it on bagasse as by-product of a sugar factory. He added "We have issued a licence for the manufacture of newsprint and paper to the Sangli Cooperative Sugar Factory and the cost of this scheme is estimated at Rs. 30 to Rs. 40 crores. That society is getting in touch with the foreign collaborators and if this scheme becomes successful, it is likely that some other schemes might come up."

1.80. The Department of Food have, in a written note, informed the Committee, "The Paper & Pulp Directorate of the Directorate General of Technical Development received an application from

M/s. Shetkari Shakari Sakhar Karkhana Ltd., Sangli for licence for manufacture of newsprint and toilet paper etc. duly recommended by the Maharashtra Government. This proposal has been approved by the Government of India and a Letter of Intent has been issued in May, 1971, to the above cooperative for the manufacture of 44,500 tonnes of newsprint/cheap writing and printing paper, 13,200 tonnes of art paper and 8,000 tonnes toilet tissue paper on the basis of maximum utilisation of machinery. The Paper and Pulp Directorate have informed that they had issued licences to 11 industrial undertakings for the manufacture of 2,50,800 tonnes/year paper/pulp based on bagasse during 1960—62, which included a licence for 21,000 tonnes/year to Mansurpur Sugar Factory and a licence for 36,000 tonnes/year to the Delhi Cloth and General Mills (Daurala). All these licences were later revoked, as none of them could establish the factory for the manufacture of paper based on bagasse. An application has recently been received by the Directorate General of Technical Development, from the Delhi Cloth and General Mills (Sugar Division) for the establishment of a bagasse based, writing and printing paper factory either in U.P. or Andhra Pradesh or Madhya Pradesh. This application is yet to be considered by the licensing Committee."

1.81. The Committee note that licences to 11 industrial undertakings for the manufacture of paper etc., had been issued and all of them had to be revoked later on as none of them could establish the factory for the manufacture of paper based on bagasse. The Committee would like Government to find out the causes for this failure so that some remedial measures could be taken to help the industries to manufacture paper etc. from bagasse.

1.82. The Committee hope that the Sangli Cooperative Sugar Factory which has recently been given licence for manufacture of newsprint and paper from bagasse would succeed in establishing the venture and that their example would be emulated by others. The Committee would like Government to encourage manufacture of paper out of bagasse for it would solve two problems, namely, paucity of paper and putting the discarded bagasse to productive use.

(c) *Press Mud.*

1.83. The Committee understand that the production of Press mud is above 3% of cane in sulphitation factories and about 7% in carbonation factories. There is no industrial use of Press Mud. The sulphitation press mud is entirely used as manure and is given free or at some nominal cost to sugarcane growers supplying cane. The carbonation press mud is used to fill up ditches etc.

1.84. The Committee have been informed by the National Federation of Cooperative Sugar Factories "Considerable research work has been done at the National Sugar Institute, Kanpur and elsewhere on the extraction of cane wax from the sulphitation press-mud. Two commercial plants have been installed one at Ravalgaon (Maharashtra) and the other at Vuyyuru (Andhra Pradesh). The latter plant is not working; but the Ravalgaon plant has been in production for some years. It is now reported to be facing difficulties in marketing its product. It will therefore be desirable that some subsidy should be given to factories putting up cane-wax extraction plants"

1.85. The Committee would like the National Sugar Institute, Kanpur to undertake intensive research to help the sugar industry to make better use of the Press mud in manufacturing high quality cane wax which could be put in the market on commercial basis on a competitive price.

(f) *Sugar Export*

1.86. The Committee understand that "India has an export quota of about 75,000 tonnes under the U.S. Sugar Act; 25,000 tonnes as Negotiated Price Quota (NPQ) for export to U.K. under the Commonwealth Sugar Agreement and of about 2.5 lakh tonnes under the International Sugar Agreement for export to all other world markets excepting U.S.A. The quota of 2.5 lakh tonnes under the International Sugar Agreement was obtained after considerable efforts at the 1968 U.N. Sugar Conference held in Geneva. Because of scarcity conditions prevailing in the country, this quota was not availed of in 1969. The quota will be availed of in 1970 and 1971. It will be desirable to avail of this quota in 1972 also. If this is not done, India's chance of maintaining its present quota under the International Sugar Agreement would be greatly jeopardised when the Agreement comes up for renewal in 1973. Exports have to be maintained and even stepped up as a matter of policy. The exports serve as an important avenue of disposal of surplus production and thus help stabilise economy of the sugar industry. It also serves as an important avenue for earning the much needed foreign exchange. All the importing countries U.S.A., U.K., Canada and Japan are highly developed and would not like to make irregular purchases from countries which are not regular and dependable suppliers. India has built up the present exports at a heavy cost in the form of subsidy. Indian technologists have made very valuable contribution in improving the quality of raw sugar which is now regarded as one of the best in the world. It is said that exports of sugar from India entail heavy losses and have to be subsidised. The fact, however, is that this is not true for India only and all sugar exports are subsidised in one form or the other. On the other hand India is in a better position to subsidise her exports which are only about 10% of her total production of sugar, as compared by other countries where exports exceed 50% of the production and in some cases even upto 80%. We would, therefore, strongly recommend that a firm policy should be laid down for placing export of sugar from India on a stable and regular basis. If necessary, the loss can be met by imposing an additional excise-duty on sugar consumed in the domestic market. It would however be desirable to press the State Governments to forego the cane cess and purchase tax levied by them on sugarcane used for manufacture of sugar exported from India."

1.87. During evidence, the representative of the Indian Sugar Mills Association stated, "Our sugar export policy is governed by the International quota and the sugar stock that we have. We have got preferential quota for export of one lakh tonnes of sugar—75,000 tonnes for U.S.A. and 25,000 tonnes for the U.K. for which we got a good price. There is a considerable loss in exporting our sugar and the Government has to do it through subsidy or the internal sugar price has to go up to that extent. These are the only two ways in which sugar can be exported. Now the Government has adopted the subsidy system. The sugar exported is on the basis of tender invited. The railway freight is a big element in the tender business and the sugar is exported either by some factory in Andhra Pradesh or those factories which are near Bombay port. The rest of the factories are not able to participate in the export programme. Railway should give some concession so that the freight element may be neutralised and other factories are able to participate in the export effort."

1.88. The Secretary, Department of Food stated "Our requirement of sugar for internal consumption would be 40 lakh tonnes and for export 95,000 tonnes. Sugar export consists of (i) preferential quotas; and (ii) International Sugar Agreement quotas. This year, the present intention, depending on how the total production turns out, is to make firm arrangements for the export of the preferential quota of one lakh tonnes leaving it for further consideration whether we can export the remaining lot or not. The anticipated production this year was 33 lakh tonnes and in addition there is a carry-over of 14 lakh tonnes." In reply to a question whether it was the intention of the Government to cut down its export, the witness stated, "It is not the intention of the Government to cut down the preferential export. For the balance of the export quota Government will decide after watching the production level of sugar. At the moment, the indications are that the production might be more than 33 lakh tonnes because of certain action taken about forbidding futures in gur."

1.89. The Chief Director (Sugar and Vanaspati) supplementing the information stated "While drawing the target for the Fourth Plan, we had assumed 42 lakh tonnes for internal consumption based on *per capita* consumption of about 7 kg. Our exports are limited, because we are a Member of the International Sugar Agreement and Commonwealth Sugar Agreement, and export under the U.S. Sugar Act. Under the limitations of these Agreements and Acts, our exports are limited. Although we had tried to get larger quotas, our export has to be limited to 3.5 lakh tonnes. So far as the internal consumption is concerned, for the last three years, it is going up and we had realised it not this year but earlier and decided to licence above 48|49 lakh tonnes. We have already licenced upto 52 lakh tonnes and we are trying to licence a little more capacity. There might be some fluctuations in the production because the same capacity may produce a little more in some years and less in other years; but then we have to take the average."

1.90. In regard to the complaint that some States which were near the ports exported much more than the States which were far away from the ports, the Secretary, Department of Food stated. "There is no proportion fixed for export of sugar from different States in the country. Tenders are invited and on tender basis export takes place. Export is a losing business. This year, the loss will be shared by all the factories; but the procurement will be at the lowest price which is obtained on the basis of tenders." As regards transport charges to be paid by those factories which are located far away from the Ports, he stated "God has given certain advantages to those who are close to the sea, and they naturally benefit from it. If some concession was to be given to those factories which were far away from the Ports that would mean a major departure from not accepting the lowest tender and accepting the lowest tender is in the national interest."

1.91. Explaining further, the Chief Director in the Directorate of Sugar and Vanaspati stated, "We export under three international agreements. The first is under the Commonwealth Agreement, where we have a negotiated price quota of 25,400 tonnes. For 1972 its price will be 50 pounds per tonne FOB plus 7 pounds which is given to developing countries. In all, we will get about 57 pounds FOB per tonne for Sugar that will be exported to the United Kingdom. The other is the quota under the U.S. Sugar Act. That will be about

75,000 tonnes. We will get about 70 pounds per tonne. The third is under the International Agreement *i.e.* at the international price. At present, they happen to be good. It will be about 69 pounds or so."

1.92. In respect of target for sugar export, the Committee were informed "The Sugar Enquiry Commission has suggested that we should have a target of 7.5 lakh tonnes for export; but exports are guided by the International Agreement. We are also a party to this International Sugar Agreement. When this Sugar Agreement was being negotiated, we took the stand that we should get an export quota of 7.5 lakh tonnes but since the demands from other exporting countries were more, we were given a quota of only 2.5 lakh tonnes. In addition to this, we could export under the U.K. (NPQ) and under the U.S. Sugar Pact. Our total export quota at present stand at 3.5 lakh tonnes."

1.93. When asked whether there was any foreign market for "gur" and "Khandsari", the Chief Director in the Directorate of Sugar and Vanaspati stated "If we export Khandsari, then the loss will be greater because the difference between white sugar and khandsari is about Rs. 15 to Rs. 20 and when we export white sugar we do not have to pay any duty. So the cost of exporting white sugar is less than exporting khandsari sugar. Similar is the case of jaggery."

1.94. The Department of Food have informed the Committee, in a written note, about the export of sugar during the last 5 years and the foreign exchange earned as follows:—

Year	Quantity exported (Tonnes)	Foreign Exchange earned (Rs. crores)
1967	2,16,568	14·84
1968	98,728	10·43
1969	93,950	9·84
1970	3,18,421	26·19*
1971	3,31,738	31·00*

*Estimates

1.95. In regard to the suggestion made by the Sugar Enquiry Commission, 1964 that the target for annual export of sugar should be set at 7.5 lakh tonnes by the end of 1975-76, the Department of Food have stated, "The Government generally accepted the annual target of 7.5 lakh tonnes suggested by the Sugar Enquiry Commission. Accordingly in the U.N. Sugar Conference held in 1965, vigorous efforts were made to secure a quota of 7.5 lakh metric tonns raw value (MTRV). No agreement, however, could be finalised at that Conference. A U.N. Sugar Conference was convened again in 1968 under the auspices of the United Nations Conference on Trade & Development (UNCTAD) to formulate a new International Sugar Agreement. The Indian delegation in this conference again reiterated India's claim for a quota of 7.5 lakh MTRV and considerable efforts were made and lobbying was done to achieve it. The Quota Committee, however, worked out a basic export tonnage of 2.15 lakh MTRV for India which in the final text of the agreement was rounded upto 2.50 lakh MTRV. In addition to this, India would also export to the U.S.A. and the U.K. under special agreements, the quota allotted under the U.S. Sugar Act and the Commonwealth Sugar Agreement to the extent of about 95,000 tonnes. This position was accepted by India which became a member of the new International Sugar Agreement with effect from the 4th February, 1969. This Agreement is valid upto 1973 and an effort to get any increase in India's Basic Export Quota (B.E.T.) can be made only at the time of its renegotiations. The U.S. Sugar Act was reviewed in 1971 and a new legislation enacted for a period of three years. In the review, India made out a case to obtain a quota of 1.5 lakh tonnes but the U.S. Administration granted the same quota as in 1971, which may work out to 71 to 73 thousand metric tons annually, depending upon the U.S. consumption requirements. India's exports to the U.K. (Negotiated Price Quota) under the Commonwealth Sugar Agreement are fixed at 25,400 tonnes upto 1974. With the U.K.'s decision to join the E.E.C. from the Ist January, 1973, the quantum of India's exports to that Group would be a matter of fresh negotiation and agreement with the Enlarged Community, in the light of assurances given by them to Developing Commonwealth Sugar Exporting Countries. Thus no enhancement in India's annual total export entitlement of about 3.50 lakh tonnes is expected till 1974."

1.96. The Committee agree with the view that all the sugar importing countries viz., U.S.A., U.K., Canada and Japan are highly developed and would not like to make irregular purchases from countries which are not regular and dependable suppliers. As such, India should take all possible steps to maintain its exports and to the extent possible increase the exports in the long term interests of the sugarcane growers and sugar industry. The International

Sugar Agreement is valid upto 1973 and efforts to get an increase in India's Basic Export Quota should be made from now onwards. The Committee also note that with the decision of Britain to join the E.E.C., next year the quantum of India's exports to E.E.C., would be a matter of fresh negotiation and agreement with the enlarged Community in the light of assurances given by them to Developing Commonwealth Sugar Exporting Countries, and hope that it would be possible to secure through persistent efforts as large a quota as possible for export of sugar from India.

G. Research & Development

(a) *Research on Sugar*

1.97. The Committee understand that "There should be more close coordination of research activities. Formerly the erstwhile Indian Central Sugarcane Committee was coordinating the research activities undertaken in the various sugarcane Research Institutes in the country. At present it is the function of the Indian Council of Agricultural Research. However, so far no papers seem to have been brought out by the ICAR on this aspect. As a result there is considerable ignorance about the research findings at the various Institutions. In view of the importance of the matter it is necessary that proper coordination is established and periodical papers are brought out about the research findings. For training and research in sugar technology, at present, there is only the National Sugar Institute, Kanpur. For quite some time past, the need for one more similar institute to be located in the Southern Region has been felt."

1.98. Committee also understand that "Whereas there are a number of research stations started by the Central and State Governments for undertaking research on sugarcane cultivation, there is only one institution for undertaking research on problems of sugar manufacture i.e., The National Sugar Institute, Kanpur. This Institute was set up in 1936 when the production of sugar in the country was about 10 lakh tonnes, mostly confined to the Northern States of U.P. and Bihar. Since then considerable development, particularly in the Cooperative Sector has taken place in Maharashtra, Gujarat and the Southern States. The Sugar production in 1969-70 totalled 42.62 lakh tonnes, of which U.P. and Bihar contributed only 19.57 lakh tonnes. After U.P., the second largest sugar producing State is Maharashtra following Andhra Pradesh. Bihar comes third. Sugar production in Mysore and Tamil Nadu will catch up as more and more factories go into production in these States. It is, therefore, desirable that a second research institute should be established in the South for undertaking research on sugar manufacture. The cooperative sector would be willing to set up such an institution, if a small recurring annual grant for maintaining the Institute is given."

1.99. During evidence, the Director in the Directorate of Sugarcane Development stated "For effecting improvement in Sugar recovery, variety plays an important role. Constant attempts are being made to evolve varieties with the desirable traits. Heat treatment of seed-cane, harvesting of cane on maturity basis, proper application of fertilizers and irrigation, control of pests and diseases are the other factors which can greatly help in improving sugar recovery. We have got Sugarcane Breeding Institute at Combatore where we have got a large collection of varieties from all over the world. We have got the varieties from Queensland, Cuba, Fiffii and other places. We have tried these varieties under our conditions but we have not found any of these varieties doing well under our conditions. However, very good canes are being utilised in the breeding work in our country for infusing that blood in our future hybrid canes."

1.100. To a suggestion that another research institute in the Southern Region may be set up, the Chief Director in the Directorate of Sugar and Vanaspati stated "At present we have a regional Advisory Cell of the National Sugar Institute, Kanpur lacated at Poona; but so far as research is concerned, I don't think there is any need of having a separate institute in the South because the problems relating to the Southern Region could as well be tackled by this Institute."

1.101. The Committee note that the National Sugar Institute, Kanpur is functioning as a research institute at national level. As the sugar Industry feels that a similar Institute in South will be beneficial, Government may consider the feasibility of opening a research Institute in the South or at least help the Cooperative Sector to set up such a Institution.

(b) *Research on sugarcan*

1.102. The Committee have been informed by an Association "Our land resources being limited, in our planning, emphasis has been laid on intensive cane cultivation to achieve the targeted requirements. Cane development activities have therefore to be accelerated to ensure production of better quality cane with higher per acre yields. The requirements for raising a better and richer cane crop are fairly well-known. For instance, the need has been recognised for provision of assured and adequate irrigation, better seeds, adequate roads and drainage facilities as also adequate supply of manures and fertilisers, etc. Equally important is the need for evolving new varieties and for introducing the scientific methods to strengthen the plant roots. It is, however, in the matter of application and availability of inputs that serious rethinking and concerted efforts are needed. For achieving success in the work of cane development it is of paramount importance that the agency responsible for implementation of the schemes should be suitable for the purpose."

1.103. Another Organisation has stated "The growers are more concerned in picking up varieties which are heavy yielders instead of varieties having higher sugar contents. As regards increasing the acre yields, intensification of sugarcane development schemes offers the only solution. The over all objective of these schemes should be to obtain more production of sugarcane per unit of land by the introduction of improved varieties of sugarcane and with increased sugar contents. These schemes should, among other things, cover the following aspects:—

(i) Survey all the factory areas for assessing the requirements of irrigation, fertilizer communication, etc., and in the light thereof, to work out a phased programme for intensive development of sugarcane cultivation;

(ii) Assistance to sugar-cane growers for employing modern techniques and adopting improved agricultural practices;

(iii) Arrangement for supply of diseased free seeds of improved varieties—early, mid season at concessional rates.

(iv) Augmenting irrigation facilities and provision of extension services for intensive efforts to demonstrate and popularise improved methods, etc.

(v) Better coordination between the sugarcane research institutions and sugarcane growers."

1.104. The representative of the Indian Sugar Mills Association stated, during evidence, "we have achieved break-through in the case of wheat and hybrid maize but we have not been able to achieve it in sugarcane. It should be possible; but whether it will take two years or twenty years, I do not know." He also stated "It has been worked out that if the cropping period of sugarcane is extended, it will yield more recovery. A test case in Maharashtra yielded 50 tons per acre which was the highest yield. The cane which yields the highest recovery in the world takes 26 months. . . . Work is being done in this regard but of course a great deal still needs to be done." In reply to a question, it was stated that the cost of production of sugar differed from region to region depending upon the facilities for irrigation, climate and the soil. As an example he cited Maharashtra where arrangements and facilities existed for as many as 30 assured irrigations per year. According to him if half or even one-third of such facilities were provided in the States of U.P., Bihar, Punjab and Haryana, sugar could be produced much more and cheaper than at present. The witness further stated that the recovery of sugar in Maharashtra was of the order of 13 per cent whereas it was between 9 per cent and 10 per cent in U.P. and Bihar. it was 8 per cent and 9 per cent in Haryana, Punjab and Tamil Nadu. According to the witness, it was due to the irrigation facilities available in Maharashtra that the recovery of sugar was high. If half, as much facilities as in Maharashtra, could be made available in U.P., Bihar and Punjab, the wide disparity in the recovery of sugar would disappear. Elucidating his point, the witness stated "The irrigation facility is beyond the reach of the poor grower himself. It has to be provided by the State Government. There is no other source which can provide irrigation on a scale as is required for cane cultivation. The State Government of Maharashtra has made arrangements and sees to it that these irrigations are available for cane whereas in the North, practically all the Governments collect a lot of money as tax on sugar cane, but do not spend even a fraction of it on development of cane. The most essential part of it is irrigation. After all, what development can you undertake, what fertilizers can you put in, what you can do unless you have an assurance with regard to the very basic requirement of irrigation. The Government of Maharashtra deserves credit for making arrangements for 30 assured irrigations for cane per year, whereas in the North, there is not even one State Government which has been able to make suitable arrangements." The witness informed the Committee, "it is true that the grower has a lot of difficulty in getting fertilizers at the proper time. I would suggest that distribution agencies should be created for the area covered by each factory." It was added "In the North we tried to persuade the State Bank to advance money but they said they would give money to the farmers for fertilizers and other inputs if the factory guaranteed the money. That is not the situation in the South. There the Banks advance money for various inputs for which the factory-owners stand guarantee. The same system can be adopted in the North if there was direct relationship between the factory and the farmers." It was added "It is for the State Governments to see how far they can help the farmers. At least in the initial stages some subsidy is necessary."

1.105. In regard to improved varieties of sugarcane *vis-a-vis* food crops, the Director in the Directorate of Sugarcane Development stated "What we have witnessed in the case of wheat or bajra is of recent origin whereas in the case of sugarcane it had happened in 1925. We have got hybrid varieties. The sugarcane Breeding Institute at Coimbatore have evolved hybrid varieties which are capable of giving twice or three times as much yield as the indigenous canes. 'Bo' varieties have been found to be very good, so much so that 'Bo-17', which was evolved some 15 years ago, occupies a very major area in eastern U.P. But when they were introduced, the cultural requirements could not be maintained or could not be thoroughly compiled with as a result of which the yields are low." He added "Before any variety is given out for cultivation it is tested for all the major diseases and if it is found susceptible to diseases it is not given out for commercial cultivation,..We organise seed production programme to eradicate these diseases so that it will increase the span of the varieties,..The Indian Council of Agricultural Research, is seized of this problem and it is going to have a coordinated seed production programme in the country. When this is done the situation will certainly improve a good deal."

1.106. As far as the part played by irrigational facilities in sugarcane development is concerned, the Director in the Directorate of Sugarcane Development stated "Amongst the various factors for boosting up production, irrigation makes the highest contribution. There is no doubt that with the provision of irrigation, alongwith the use of other inputs, yields will go up substantially. In U.P. the irrigation potential created in terms of wells is 42,420 tube-wells, 26,118 pump sets, 35,201 boring wells, 20,146 persian wheels and 28,075 masonry wells during the last five years. In Bihar the number of tube-wells installed is 5,543, pumpsets is 5,856, boring wells is 14,765, persian wheels is 7,265 and masonry wells is 25,000. These are in the sugarcane areas and these are the figures which have been supplied by the State Sugarcane Development Department." He added "As far as the irrigation facility to sugarcane areas is concerned, it forms part of the general agricultural programme of the State Departments of Agriculture. In U.P. and Bihar the irrigation potential is being developed. Land Development Banks and Scheduled Banks are coming forward to give loans for this purpose, lack of credit faciities is the main factor which is coming in the way of augmenting irrigation facilities." As regards Sugarcane Development Work, the Director stated "In the State of U.P. the cane development work is being looked after by the Cane Commissioner and in the States of Punjab, Haryana and Madhya Pradesh, by the Cane Commissioners under the Department of Agriculture. In the remaining States of the country, the development of sugarcane is being looked after by the Sugarcane Development Officers in the Department of Agriculture." He also stated "In U.P. the commission charge is 15 paise per quintal of cane and out of this 15 paise, eight paise go to the Cane Unions for maintenance of staff, etc., and seven paise go to the Cane Development Councils which utilise this amount for the development of sugarcane in that factory area. The entire work of cane development is coordinated by the Cane Commissioners and Sugarcane Development Officers in their respective States."

1.107. In regard to supervision by the Centre, the Secretary, Department of Food stated "The Sugarcane Development Directorate in the Ministry of Agriculture is exercising supervision over the activities of the State Agencies but there is a limit to advising and interference. We keep on advising them. There is an effort being made from the Sugarcane Development Directorate and from the Sugarcane Development Council to keep on advising the State Governments. Naturally, one can take the advisory character, both on the technical side in the Sugarcane Development Directorate and on the advisory side in the Sugarcane Development Council. That is being done. But some of the State Governments have been taking the line that this is a source of revenue which should not be denied to them. Persuasion and advise is a process which is still containing and in some cases, it has been accepted. Punjab is spending 100 per cent of its income from these cess for development.'

1.108. As far as decline in sugar recovery is concerned, the Director in the Directorate of Sugarcane Development stated "The decline in sugar recovery as assessed in the State of Maharashtra is accountable, apart from the balanced application of fertilizers, to change in the variety, undue increase in the Cane area, change in crop duration, damage by posts and diseases and other things. Such a study is yet to be made in the case of other States." In regard to different varieties, he stated that there were varieties for each State; but there was a limitation in producing seed cane. If a good variety was there, it had got a limited seed, whereas the problem was colossal. The multiplication of the seed takes time before it could reach the cultivators. The stated "In U.P. in most of the factory areas, the soil had been analysed, tested and different types of soil have been categorized and also in some other States facilities for testing the soil are also available and they are testing the soil free of charge." He also stated "In pursuance of the recommendations of the Sugar Enquiry Commission, 1964 intensive cane cultivation development schemes were taken up in U.P. and Bihar and as a result thereof the yield in U.P. went up from 37 tonnes to 45 tonnes per hectare; but the scheme was in operation upto 1968-69 in about 1600 hectares in each sugar factory and the object was to improve the irrigation facilities and supply seeds."

1.109. The Department of Food have, in a written note, informed the Committee "With a view to increasing sugarcane production in the States, effective steps are being taken for intensive development efforts in selected areas around the sugar factories. Main features of the development efforts in the Fourth Plan consist of compacting of reserved areas in the factory zones organisation of adequate number of seed nurseries for supplying disease-free and nutrient-rich seed to the growers, provision of adequate minor irrigation facilities, fertilizers, plant protection measures, judicious choice of variety, introduction of modern scientific technology for sugarcane cultivation, and provision of adequate credit to the cane growers. In order to achieve the desired results, intensive development package programmes have been taken up by the important sugarcane growing States in their selected areas. The programmes have shown promising results and the average yield of sugarcane increased by about 20 tonnes per hectare in Maharashtra during 1963-64 to 1970-71, 31 tonnes in Bihar, 11 tonnes in Assam, 19 tonnes in West Bengal and 9 tonnes in Tamil Nadu. In the case of Madhya Pradesh and Uttar Pradesh, the increase in yield reported for the years 1969-70 and 1968-69 for which the figures are available have been 10 and 8 tonnes per hectare over that during 1963-64. The sugarcane development work taken up in Uttar Pradesh and Bihar States is given below:—

The researches conducted at State Research Stations in Uttar Pradesh and Bihar showed the possibilities of increasing the yield of sugarcane substantially. In order to reap the benefits of these researches, sugarcane development was initiated in Uttar Pradesh and Bihar in 1947-48 with the assistance rendered by the erstwhile Indian Central Sugarcane Committee and which later on formed a part of the 5 year plan from 1950-51. The main work on sugarcane development consisted of (1) use of scientific methods of cultivation (2) supply of healthy seed of improved varieties, (3) provision of minor irrigation facilities, (4) distribution of mannures and fertilisers, (5) adoption of plant protection measures and (6) construction of roads for speedy transport of cane.

As a result of development work, the cane yield showed an increasing trend. In Uttar Pradesh the yield rose from 30.27 tonnes per hectare in 1941—46 to 41.00 tonnes in 1970-71. While in the same period the yields in Bihar have been 25.55 and 40.00 *vide* Table below:—

Area and average yield per hectare of sugarcane in U.P. & Bihar from 1941-42 *to* 1969-70

Period	Average area in lakh hectares		Average yielding onnes per hectare	
	U. P.	Bihar	U. P.	Bihar
1941-42 to 1945-46 (5years) .	7·97	1·58	30·27	25·55
1946-47 to 1950-51 (5 years)	8·95	1·57	29·97	20·68
1951-52 to 1955-56 (5 years)	10,19	1·38	27·26	17·77
1956-57 to 1960-61 (5 years)	12·20	1·69	30·12	32·78
1961-62 to 1965-66 (5 years)	13·44	1·67	37·82	34·97
1966-67 to 1969-70 (5 years)	11·97	1·47	39·22	34·45
1970-71 . .	13·69	1·62	41·00	40·00

Intensive Development and Package Programmes:

In spite of various efforts made to augment the yield of sugarcane per unit area through normal development measures, the result was not up to the desired level. Thus, to improve the cane yields appreciably, the programme of intensive development of sugarcane was launched in 25 sugar factory areas of U.P., in April 1963. Subsequently, the programme was extended to the remaining 46 sugar factory areas of Uttar Pradesh and the scheme was operated in 102 blocks in the sugar factory areas of Uttar Pradesh, each having an area of 1600 hectares. During 1968-69, the areas covered under intensive development in Uttar Pradesh was 1,67,900 hectares."

1.110. The Committee agree with the view that irrigation plays a very important part in the production of sugarcane but it is be-

yond the reach of the poor grower and that this vital facility has to be and should be provided by the State Governments concerned. The Committee regret to note that practically all the State Governments collect money by way of tax on sugar and sugarcane but do not spend even a fraction of that on the development work of sugarcane. In regard to supervision by the Centre over the sugarcane development work in the States, the Committee note that the Sugarcane Development Directorate in the Ministry of Agriculture is exercising supervision over the activities of the State Agencies but do not appreciate the line of thinking on the part of some State Agencies that taxes on sugar and sugarcane should be treated as yet another source of revenue and not much need be spent by them on sugarcane development programmes. They, therefore, strongly urge upon the Government of India to take up this matter at a high level with all the State Governments concerned and persuade them to take interest in the developmental activities of sugarcane which will ultimately be to their own economic advantage and add to their prosperity.

1.111. The Committee are of the view that the most effective way of tackling the chronic problem of sugar factories in U.P., Haryana, Punjab, Bihar etc., is to develop and encourage cultivation of sugarcane of improved varieties which is high yielding and is disease resistant. The Committee would like Indian Council of Agricultural Research, the Sugarcane Growing Research Institute, the State Agricultural Developments, and Agricultural Universities concerned to re-double their efforts to develop the requisite variety without delay and after extensive field trials publicise the results and make available seeds of guaranteed quality at reasonable rates to sugarcane growers in the interest of stepping up sugar production and fetching high prices for sugarcane growers. They also recommend that Government should establish a sugarcane breeding Centre for Northern India on the pattern of the research Centre at Coimbatore so that sugarcane varieties suited to the conditions in this area are developed on priority basis.

1.112. The Committee note that the Indian Council of Agricultural Research is seized of the problem of organising seed protection programme to eradicate diseases and increase the span of varieties. The Committee feel that expeditious action in this regard is called for as the production of cane cannot increase without healthy seed of improved and lasting varieties.

1.113. The Committee also note that in respect of good varieties, the availability of seed is limited. The Committee feel that it should be ensured that there are adequate number of seed nurseries near about sugarcane fields for supplying disease-free and nutrient-rich seed to the growers.

1.114. The Committee would also like Government to examine as to how the poor sugar canegrower can get loan from Banks etc., for purchasing fertilizers, seeds etc., in time and in sufficient quantity.

(c) *Sugar from beet*

1.115. In regard to economics of Sugar from beet the representative of the Indian Sugar Mills Association stated, during evidence, "The recovery of sugar from beet is higher than the recovery of sugar from cane; but the sugar from beet itself will not be able to complete with sugar from cane because of the extra fuel involved... Secondly the optimum period of maturity of beet is very short *i.e.* not more than 60 days in a year and if the beet is not harvested within that period, it becomes almost a total waste. Therefore, if a factory is to run entirely on beet then (i) it will have the problem of fuel cost and (ii) it will have the problem of having a very very short duration. Though limited, it would be a valuable supplement to cane, where we have surplus bagasse."

1.116. The Director in the Directorate of Sugarcane Development stated during evidence "Sugar beet cultivation has been taken up in the Ganganagar sugar factory area in 1970-71. This year we have sown 700 hectares with sugar beet crop and it will be processed for the first time in April-May this year. This is the only factory where have taken up sugar beet cultivation in North India so far. In Maharashtra sugar beet cultivation has been taken up on a limited scale upto 100 or 150 hectares. There the sugar beet will be processed along with cane. The intention is to provide additional raw material to the came grower, whereas in North India the idea is to improve the overall recovery of sugar both from sugarcane and beet because of its higher sugar content."

1.117. In regard to economics of sugar from sugar beet, the Chief Director in the Directorate of Sugar and Venaspati informed the Committee "No definite calculations have been made so far because we have not worked it out on a very large scale; but we have got the figures from outside. In the case of sugarcane bagasse is available which is an advatage. In the case of beet, the recovery is higher by 2 per cent. So, they would more or less compensate. The crushing period for beet is about two months—April-May. In North India it ripens sometimes in April and it will be available for 60 to 65 days." He added "Beet has a limited use. It cannot replace sugarcane. Sugar beet can be processed for only two months. Now sugarcane crushing starts round about November and goes upto March. During the months of April and May they could process the beet. Beet planting has to be done some time in October and it takes 6 to 7 months for the crop to be ready." The Committee were also informed that the cost of production of beet at the Sugarcane Research Institute experimental plots at Lucknow was a little less than that of sugarcane.

1.118. The Committee note that sugar beet cultivation has been taken up in the Ganganagar Sugar Factory area in 1970-71 and that it will be processed for the first time in April-May, 1972. They hope that with this experiment a new avenue will be opened to provide additional raw material to the factories to produce more sugar. The Committee would like Government to keenly watch the result of experiment and if it is found viable and successful, to encourage cultivation of beet on a large scale in the vicinity of sugarcane factories.

(d) *Pests and diseases*

1.119. The representative of the Indian Sugar Mills Association stated during evidence "We had a very serious attack of Pyrilla and a very large number of crops were affected. Some factories arranged aerial spray of insecticides; but even then we were not able to meet with the very strong incidence of the pest and recovery in some areas went down from 10 per cent to 6 per cent. There is also a very big problem in Western U.P., Bihar and Haryana and that is of Borers. Experts from the Wold Food Agricultural Organisation were called. So little is known about the life cycle of the borer that by this time there is practically no protection against it......Pests and diseases play a very important part in lowering the recovery and also causing loss of crop." He added "We have established a research centre at our factory for which we have agreed to spend rupees three lakhs. If we are successful, it will revolutionise. We have provided them with a laboratory and field controls are being done." In reply to a question whether the Indian Council of Agricultural Research and the National Laboratories were doing anything in regard to this problem, the witness stated that some work was being done but it was not to the extent it should have been done.

1.120. The Director in the Directorate of Sugarcane Development informed the Committee that with a view to check the incidence of pets and diseases and solve the problem of keeping good seeds, the Indian Council of Agricultural Research was going to have an all-India project where foundation seeds will be produced in different States and the Council will be responsible for its verification in the first two stages. Thereafter, it will be done by the developmental organisations and passed on to the growers for cultivation. This will go a long way in the eradication of diseases like red rot and other virus diseases. As regards borers, they were baffling all attempts of chemical control. There was no effective control measure found for checking borers. But there were mechanical control measures which could be taken up against these borers and the attacks could be kept under check. He added "The Indian Sugarcane Development Council has recommended that State Governments should check the inter-State movement of seed cane which is the main source for the carrying of the diseases from one State to another. This recommendation has been passed on to the States for implementation. Where some sporadic attack of insects and pests takes place, the State Governments take appropriate measures."

1.121. The Committee are unhappy to note that pests and diseases continue to cause damage to the cane crops resulting in lower recovery and also loss of crop in many cases. They would like the Government to impress upon the Indian Council of Agricultural Research, the Agricultural Universities and the National Laboratories to allow high priority and intensify their research in order to evolve measures to check this menacing problem. The Committee would like Government to take effective measures to ensure that sugarcane seeds which are susceptible to disease are not transferred from one affected area or State to another.

H. Miscellaneous Matters

(a) *Shortage of Railway Wagons*

1.122. It was brought to the notice of the Committee by a non-official organisation "Some of the difficulties that have unfortunately been felt during the current season are, firstly, the non-supply of wagons. What happened is that ever since the end of March in the East of this country there has been a lot of trouble and we have not been having normal conditions particularly in regard to train movement towards Assam and West Bengal, and also some other States. Therefore, there has been considerable difficulty due to the non-supply of wagons and the frequent restrictions on sugar bookings particularly over the metre gauge. Secondly, unfortunately due to extensive floods in Bihar and Uttar Pradesh there has been considerable difficulty in the movement of sugar both by road and by rail. Thirdly, there should be a proper yardstick to measure as to how much sugar should have been moved and how much sugar has been moved. Government for reasons of their own released as much as 5 lakh tonnes of sugar in a month. Our total consumption is of the order of 3½ to 4 lakh tonnes a month. If you release 5 lakh tonnes and only 4 lakh tonnes move, it can theoretically be said that sugar is not moving but when the release is more than the consumption it must lapse. So, mostly there have been transport difficulties, shortage of wagons and floods."

1.123. During evidence the representative of Ministry of Railways (Railway Board) stated "There are different types of wagons which are required to be made available. The non-availability of wagons may be of two types—one is temporary and the other is long term. Temporary non-availability could arise owing to disruptions on the Railways. The total disruption of the traffic on the North Eastern Railways from 6th of August to 22nd September, 1971 for a vital operation between Berauni and Khagaria on account of which movement by the metre-gauge route to Assam *via* Katihar was completely stopped for a few days and was opened up in a very restricted manner for the rest of the period because two major bridges had collapsed, one of which required rebuilding. This was a temporary disability which affected the movement of wagons into Assam and Tripura by the metre-gauge route. At the same time, the broad-gauge route also from Farakka into Assam and Tripura was closed because of the bridges over the Farakka-Malda Section where again the other bridge had collapsed and for a few days there was no movement of traffic and later a temporary bridge was put up which again collapsed with a subsequent cyclone. On account of severe disruption of traffic by the broad-gauge, the traffic into Assam Tripura and nearby Bengal was very considerably affected. These are the dislocations to traffic which may be called of a temporary nature. There was an acute shortage of wagons even for essential commodities and for priority movement. In this context also, the sugar movement which is the subject-matter of discussion was partly affected. Then, we have non-availability due to capacity not being available to the extent required to meet trade requirements. The capacity of certain sections is limited and when there is a sudden huge demand for any non-planned traffic, then part of the traffic for which the planning is there becomes affected. Then also, there was a difficulty for wagons and this, no doubt, leads to scarcity particularly in the total transportation picture...... Now, the remedial measures that we take in the matter of temporary dislocation, the railways go all out to put in some type of pile bridge, create diversion or strengthen any alternative routes as was done on the North

Eastern Railway between Barauni and Khagaria and strengthened that route in a very quick time to come to the rescue of the disturbances on the main line. Similarly, on the broad gauge *via* Farakka a diversion was put so as to restore part of the traffic which was disrupted.

In case of long term disturbances, we immediately plan out and then immediately see how to redistribute the wagon fleet; how to inject more locomotives into a particular stream or if it is a matter of line or section capacity, then how to increase it". In reply to a question, he stated "We have to share the total availability of wagons among the priority demands. In fact, we met the requirements (for movement of salt and sugar) to the extent required by the States concerned. But, of course, we could not meet the public demand in these commodities (salt and sugar). But we were able to counter any distress on this account, though we were not able to meet the trade demands, as and when made at particular stations; we cannot enlarge the wagon fleet over the Indian Railway system as a whole as to meet the demands here and there of the business men, which may result in a large percentage of idle capacity either in the shape of wagons or locomotives."

1.124. The Committee note the various natural causes for the dislocations of railway traffic and the remedial measures that are taken by the Railways to remove them. They need, however, hardly stress the necessity of making sufficient number of wagons available in time for the movement of sugar from the producing areas to far flung areas all over the country so that the sugar is available on assured basis in all parts of the country.

(b) *Thefts in Railways*

1.125. In regard to thefts in Railways, the representative of Ministry of Railways (Railway Board) stated "Trains are being held up and wagons looted while in many cases the wagon panels have been cut. This has been particularly so in respect of foodgrains, sugar and other bagged consignments. Regarding claims for sugar, we paid about Rs. 105 lakh against an earning of about Rs. 7 crores in 1970-71. As compared to 1966-67, our loss due to thefts and pilferage in respect of foodgrains, sugar, oilseeds spices etc. has actually doubled during the last two years. About 15 per cent of our earnings from sugar goes in claims. We are aware of it. This is also a law and order situation. We are taking steps and I think we will be affecting a definite improvement." In regard to the amount of claims pending with the Railways and the time taken in settling the claims, he stated "About 2500 claims will be pending in respect of sugar. Sugar claims are disposed of quickly. Normally we take about 40 to 45 days but there may be instances where we might have taken longer time."

1.126. The Ministry of Railways (Railway Board) have informed the Committee, in a written note, about the number of claims paid by individual zonal Railways during 1970-71 on account of thefts and pilferages of sugar consignments as follows:—

Railways	No. of claims* paid
Central	1 178
Eastern	5958
Northern	857
North Eastern	322
North-east Frontier	1764@
Southern	36
South Central . . .	8
South Eastern . .	1312
Western	3171
TOTAL .	14612

*These figures do not include claims paid on account of damage, loss, etc.

@Includes claims paid on Jagree also.

1.127. It has also been stated that information is not maintained State-wise and that as monthwise figures are not readily available the figures furnished are for the whole financial year.

1.128. In regard to the number and amount of claims pending on all Railways as on 1-11-1971 it is stated to be as follows:—

Railways	No. of claims on sugar pending on 1-11-71	Amount claimed
Central	54	1,75,954
Eastern	2517	58,38,065
Northern	98	61,365
North Eastern	38	54,051
North East Frontier	152	6,62,399
Southern	1	77
South Central	1	1,402
South Eastern	300	6,95,200
Western	164	3,41,506
Total	3325	78,30,019

NOTE:— (i) Claims are settled either by tracing the missing goods or by payment or by repu liation according to the provision of Indian Railways Act.

(ii) The figures are not available State-wise and have been furnished a ay-wise.

1.129. In regard to the reasons for delay in settlement of claims it has been stated that, by and large, compensation claims are disposed of at reasonable speed. Average time for disposal of a claim on all commodities on all Railways during 1970-71 was 40 days. However, settlement is prolonged in certain types of cases for one reason or the other. For instance, cases arising from traffic booked over a number of Railways in succession and those involving transhipment enroute take longer time to complete enquiries. Settlement in some cases is also held up on account of non-submission of essential documents such as original Railway Receipt, Beejuck, Letter of Authority etc. which are necessary for verification of claims. Delays also occur in cases where some criminal offence is suspected and the matter has to be investigated by the Police.

1.130. As regard the freight earnings from sugar and amount of compensation paid on sugar during 1970-71 the figures are given below:—

	(Rs. in thousands)
Total freight earnings	7,14,70
Amount of compensatiot paid	1,05,64

Measures taken to minimise the thefts and pilferages in transit are given in Appendix-I.

1.131. The Committee are perturbed to note that in some cases in eastern India trains are held up and wagons looted and in many cases the wagon panels have been cut. This has been particularly so in respect of foodgrains, sugar and other bagged consignments. The situation regarding the number of claims paid by the individual Zonal Railways during 1970-71 on account of thefts and pilferages of sugar consignments is 14,612, the amount claimed in sugar claims pending on First November 1971 is Rs. 78,30,019. The total freight earnings and amount of compensation paid in respect of sugar during 1970-71 is Rs. 7,14,70,000 and Rs. 1,05,64,000; respectively which indicates a very unsatisfactory situation.

1.132. The Committee while noting that the Railways have already taken some measures to minimise thefts and pilferages in transit would strongly urge upon Government to take some drastic measures to check such incidents specially in the Eastern, South Eastern, Western and North East Frontier Railways where the amount of claims is very high.

(c) *Shortage of Iron and Steel*

1.133. It was brought to the notice of the Committee by a non-official organisation that sugar factories were experiencing acute difficulty in getting supplies of Iron and Steel through the Joint Plant Committee. It was added that formerly iron and steel was placed at the disposal of the Sugar Directorate but now it had been taken over by the Joint Plant Committee. It was, therefore, suggested "It should go back to the Sugar Directorate who are the technical people, who have the returns and know how much sugar is produced and where. They also know about the difficulty of individual factories in regard to getting iron and steel for their factories."

1.134. During evidence the representative of the Department of Steel stated "There is, at the moment, a general shortage of steel and that is why we have to channel supplies of domestic steel through a special Committee called the Steel Priority Committee, to whom all the consumers are requested to put in their indents and, depending on the availability and the general importance to the country, some allocation is made. We recognise the importance of the cooperative sector and we have tried to help them though it is true that we could not meet their requirements in full."

1.135. As regards bulk allocation of steel to the Directorate of Sugar and Vanaspati for allotment to individual sugar factories, he stated "A mere bulk allocation of steel does not help. It remains only on paper, unless it is really transmitted in the form of break-down by quality, sizes, specification and shapes which the Steel Plants could roll and supply. We have now brought in the somewhat detailed procedure of the Steel Priority Committee where we actually took up the individual orders which the people have placed on the Steel Plants and depending on the availability of the material, we indicate to the plants the particular orders already booked which should be taken up for rolling during a particular quarter. This is a measure which enables the decision of the Priority Committee to be implemented in practical terms, with the result that the allocation does not remain on paper; but is actually supplied and received by the party concerned." He asserted that the aforementioned suggestion could not work in practical terms because there were certain practical difficulties and that the Directorate of Sugar and Vanaspati was fully consulted at almost every stage.

1.136. The Secretary, Department of Food stated "In the present context of the overall shortage of steel which has been highlighted by the Steel Ministry and which is being experienced in all sectors of economy, I do not think that it will make any material difference, if, instead of the cases being individually presented before the Joint Plan Committee, a bulk quota is given to us. It will have other problems involving storage and warehousing where large quantities are required. The practical difficulties pointed out by the Ministry of Steel are real." He, however, agreed that the non-availability of steel affected the installation of new factories as well as expansion of the existing capacity which ultimately affected the production. If the production did not go up, it was not possible to maintain the export order.

1.137. The Committee agree with the view that the non-availability of steel affected the installation of new sugar factories

as well as expansion of the existing capacity which ultimately affected the production of sugar for internal consumption as also for export purposes. The Committee would like Government to ensure that genuine requirements for manufacture of sugar cane machinery as per plan commitments are met in time and in full.

(d) *Refund of earnest money*

1.138. The Committee were informed by a non-official organisation that for despatching levy sugar the mills were authorised by the Directorate of Sugar and Vanaspati to demand earnest money deposit; but several mills were not making refunds of the earnest money deposit in respect of sugar which could not be despatched by the mills. The Chief Director in the Directorate of Sugar and Vanaspati stated "The charging of earnest money is a normal trade practice. We have issued an order under the Sugar Control Order that no factory can charge more than Rs. 15/- per quintal as earnest money. The deal is between the purchaser and the factory. We would not like to enter into this dispute; but wherever such difficulties were referred to us, we took up the matter with the State Governments." Intervening, the Secretary, Department of Food stated "We have used our influence with the sugar factories to make the refunds."

1.139. The Committee hope that the Government will ensure that in future sugar factories would, in the first instance, not charge more than the authorised amount as earnest money.

I. Future of Sugar Industry

1.140. Shri Bibhuti Mishra, M.P. stated during the discussion on Sugar Policy in Lok Sabha on the 11th August, 1971 "The Policy so far pursued by the Government in regard to sugar had been very vacillating. The result was that there had been much fluctuation in prices of sugar as well as sugarcane and the farmers as well as the Government had to face difficulty. Therefore, it was necessary that a definite policy was laid down in regard to sugar production in consultation with the agriculturists, consumers and the producers ......Then there was the question of nationalisation. Government must take a decision whether they were going to nationalise the sugar mills or not. The present uncertainty must end so that the mill-owners could invest some money in modernisation." Other Members of Parliament while participating in the discussion emphasised either on nationalisation or cooperation of the Sugar Industry.

1.141. With a view to affording required help to the sugarcane growers, mills, workers and the consumers the question 'future of the sugar industry' had been engaging the attention of a large number of Members of Parliament and many questions had been put in this regard in Lok Sabha during the last two years.

1.142. A non-official organisation has stated, in a written memorandum to the Committee "For some time past, an unjustified demand to nationalise the sugar industry, particularly in U.P. has been voiced. In the opinion of the Association, while there is no economic or commercial justification for such demand, it is even contrary to the accepted basic policies of the Government of India. We have accepted mixed economy as being the most appropriate to our needs of ensuring an accelerated rate of growth and development. In this context, the demand for the nationalisation of the sugar industry appears to be wholly unwarranted and contrary to the accepted policies of the Government. The Association is of the considered view that the Government's role as supervisory and controlling authority would always be better than to nationalise and run the industry itself. They can better ensure that the interests of everyone are well looked after by judiciously employing the various levers of controls exercised by them."

1.143. Another non-official organisation has stated in a written memorandum to the Committee "We are of the considered view that cooperativisation of the existing joint stock mills would be a better solution to nationalisation. In this connection it has to be admitted that cane-growers are the back-bone of the sugar industry. In any scheme for overhaul of the sugar mills, cane-growers' interest cannot be ignored. In a nationalised set-up, cane-growers' interest would hardly be safeguarded. The nationalised framework could hardly be a substitute for the one in which cane-growers are the owners of the factories and have direct interest in cane cultivation as well as in its subsequent processing. Besides, nationalisation will pose problems of finance availability for compensating the present owners and thereafter modernising the ramshackled sugar units after the take-over. There will also be problems of managing these wide-spread units, providing for harvesting and improved transport facilities, irrigation arrangements and plant protection facilities, etc. All these would constitute a heavy load on the Government's administrative and financial resources. In a cooperative set-up, the essentials of an ideal sugar mill are possible to achieve. Maharashtra is a shining example of what the cooperative set up in the sugar industry can achieve. There, canegrowers are share-holders in cooperative sugar processing factories, share holdings are linked with their cane acreage. The society which is assured of cane availability undertakes development projects for cane fields, keeps the processing plants modern, pays maximum possible cane price, supplies high yielding seeds, carries out soil survey and intensive sugarcane cultivation and development programmes and arranges prompt harvesting and transportation and pest control and crop diseases combat and irrigational facilities etc. Such cooperatives have generated tremendous impact on community life in the rural areas. New industries, colleges, schools, hospitals and other charitable institutions have also been fostered under this set-up."

1.144. Another non-official organisation has stated, in a written memorandum to the Committee "Nationalise the entire Sugar industry has been the demand of the labour. We want nationalisation of the sugar industry in private sector and also in the cooperative one. So far as Maharashtra is concerned the Joint Stock Companies are gradually but certainly being compelled to wind up their affairs by deliberate efforts, of the cooperative factories and also the Government. All the evils prevailing in the private ownership of the Sugar Industry are found in the so-called cooperative sector. Besides the exploitation of the consumer and also the labour, these cooperatives have become centres of political power leading to political corruption and giving birth to a new privileged class of possessed peasantry opposed to socialist order of the society."

1.145. In regard to a question whether the existing large scale factories should be compulsorily converted into cooperatives, the representative of the Indian Sugar Mills Association, during evidence, replied in the negative. In support of his answer, he stated "My reasons are that the record up-to-date of the cooperatives has not been such as to benefit the cane grower, labour, consumer and their own shareholders." Concluding his statement, he stated "I would say that to enable the cooperative movement to really stand on its own legs, there should be no undue tempering; there should be proper control. Other things being equal, cooperatives should be given preference." He added "I would like to make it clear that better co-operativisation and nationalisation, we would prefer nationalisation of all the factories."

1.146. The representative of the National Federation of Cooperative Sugar Factories Ltd., stated during evidence "At the commencement of the first five year plan there were only two Co-operative

Sugar Factories in the country as against 136 in the Joint Stock Sector. These two Cooperative sugar factories produced amongst themselves 5,000 tons of sugar in the year 1950-51 which was only just 0.4 per cent of the total production of sugar in the country. The success achieved by these two cooperative sugar factories inspired the sugar growers all over the country to set up their own processing units. The State and the Central Governments recognised this enthusiasm generated amongst the growers and came forward to assist and encourage the establishment of cooperative sugar factories. In fact, it became the policy of the Government to give preference to cooperatives in licensing new units and also to give liberal financial assistance towards subscribing the equity capital and loans from central financing agencies. In giving these financial assistance there had been no element of subsidy or special privilege in the treatment accorded to the cooperatives. The Cooperatives had fully borne all the financial and other burdens connected with their establishment and operation on the same terms as other units in the industry. Under this policy, the number of cooperative factories steadily rose to 39 in 1960-61, 54 in 1965-66 and 73 in 1970-71. In terms of sugar production, Cooperative sector's contribution rose from 0.4 per cent in 1950-51 to 15 per cent in 1960-61 to 27 per cent in 1965-66 and 33 per cent in 1970-71. The percentage of total production between Cooperative and Joint Sector is 1/3 and 2/3."

1.147. In reply to a question, the witness stated "In Maharashtra and Andhra Pradesh, some Joint Stock Factories have been converted into the Cooperative Sector and they are working very satisfactorily.... A number of other private sector factories have evinced interest in conversion to growers cooperatives.... The significant success achieved by the Cooperative Sector factories over a period of just over a decade has established the fact that the small resourceless farmers scattered over large areas are all uniting themselves into a cooperative venture not only to set up huge industrial plants but also to compete with established industry till now a close preserve of the private sector. It has also been a very useful investment in mobilising the financial resources from the rural areas." He further stated "The highest cane price paid by any factory in the country is by a cooperative factory and, in the highest recovery, again, the first and second places go to Cooperative Sugar Factories in Maharashtra."

1.148. In regard to low income to Government from Cooperative Sector, the witness stated "We have to understand the set up of a cooperative factory in the right perspective. Cooperatives are grower-oriented for the benefit of the growers. And it is our intention to see that the grower gets the maximum benefit out of this cooperative set up. So long as the Government fixes only minimum price of sugarcane, legally we can pay higher price of cane, reducing the profits, we have to see that maximum price is paid to the growers. Secondly, so long as the law permits that a grower can be paid more than a minimum you cannot accuse the cooperatives. There is absolutely nothing wrong." With a view to justify his suggestion, the witness stated "The credit facilities which the growers enjoy in the Cooperative Sector are not available to the growers in the private sector factory. The factory gives the guarantee to the State Cooperative Bank or even a nationalised Bank or to the Central Cooperative Bank and arranges credit to the growers through the village credit society directly by borrowing loan from the commercial Banks, Cooperative Banks and directly advances money to the growers. We advance as much as Rs. 1,500 per acre, we meet the entire demand, we give advance; we adjust timely supply of the cane but in a phased manner." He added "In the matter of input fertilizer, we supply on 'no-profit-no-loss' basis. We sometimes give Rs. 50 less per ton to the growers; we spend so much money on seedling. These are the facilities which are very peculiar and which are enjoyed by the growers in a cooperative set up. These are nil in the case of private sector."

1.149. The Joint Secretary Ministry of Agriculture (Department of Cooperation) referred to the important social objective achieved by the establishment of co-operative sugar factories and stated "Establishment of co-operative sugar factories generally results in participation of farmers in agricultural development. More equitable distribution of income and general economic and social development. From a small beginning in the year 1950-51 when there were only two cooperative sugar factories, we have now about 75 cooperative sugar factories actually in production out of a total of about 119 to which licences about letters of intent had been issued—and apart from these 75, the remaining 44 are in various stages of installation and, out of these again, there are 10 sugar cooperatives where letters of intent have not yet been converted into licenses because the minimum stipulated growers' share capital has not yet been callected. This takes some time because the share capital in the Cooperative Sector has to be collected from a very large number of growers within a specified limited area and the principle of one member one vote is followed irrespective of the number of shares held by any member. Usually it takes much more time to collect share capital from the growers. Apart from initial difficulties, and time taken in the collection of growers' share capital and the collection of funds for financing capital requirement from I.F.C., L.I.C. etc., and for securing the plant and machinery, additional time lag is on account of difficulty in the availability of iron and steel. But inspite of all these difficulties and teething troubles, cooperative have been able to make contribution to the sugar industry which is approximately one third of the total production of the country. On 30th June, 1971 there were 4,75,000 grower members in 10-9 reporting cooperative sugar factories from whom the share capital had been collected and they account for approximately 93 per cent of the total membership. Even in the drought years (1966-67) and (1967-68), when there was wide spread diversion of the areas under sugarcane and less production of sugarcane the decrease in the supply was much less in the case of Cooperative sugar factories than in the case of Joint Stock and Private owned sugar factories. Decrease in the production of sugar in 1966-67 over 1965-66 was to the extent of 42.73 per cent in the Joint Stock Sector whereas in the Cooperative Sector it was 29.65 per cent. Apart from these things the maximum benefits go to the growers. Apart from the cane price that they have to pay to the cane growers, they also pay dividend. They pay a sizeable amount, as provided for in their bye-laws to Reserve Fund, and that way it ultimately goes to the overall development of the Sugar Industry. Sugar factories have also been responsible to the general economic development and consequently of the educational and social development of the entire rural areas around them."

1.150. In regard to Government being deprived of its share of profits in the Cooperative Sector, the Joint Secretary (Cooperative), stated. "The Cooperative Sector has benefited the growers through higher price, and indirectly they have regenerated the rural economy. The Joint Stock Sector can also pay higher prices at the cost of their own profits which obviously they are averse to do." In regard to a question that the Government was getting more revenue from the private sector, and practically nothing from the Cooperative Sector, the Committee were informed "The cooperative Sugar Factories are functioning in the best interests of their grower members, within the provisions of the law. They do not evade tax or dues to Government." When the representative of the Ministry of Finance was asked to give the opinion of his Ministry in this regard, he stated "This is a point which we have not considered in the Finance Ministry. But the position as I see it, is that both the shareholders of the Joint Stock Companies and the member owners of the Cooperative Sugar factories are acting within the confines of their laws. However the shareholders of the Cooperative Mills belong to the weaker sections of the community, by and large, and they deserve State support."

1.151. The Secretary, Department of Food informed the Committee "The Government have not formulated any final view with regard to nationalisation of this industry. Actually, this question has been referred to the Sugar Industry Enquiry Commission. Government have an open mind on the subject and they will consider the matter and take a decision when the report of the Commission is received" He further stated "One of the terms of reference of this commission is the looking into the development and working of the cooperatives also. Government would prefer to wait but in the meantime indication of their policy is available from the fact that new licences are mainly reserved for the cooperative sector."

1.152. The Committee note that the future of the sugar industry has been engaging the attention of Members of Parliament who are anxious that the cane grower should get a remunerative price for his produce, the factories should operate smoothly and the consumer also get sugar at reasonable price and that to achieve this goal it is imperative that the present uncertainty in this industry must end as early as possible. They also note that Government have not so far formulated any final views in this regard and that they are awaiting the report of the Sugar Industry Enquiry Commission which is looking into all the aspects of this industry including the development and working of the Cooperative Sector. The Committee, however, hope that the report of the Sugar Industry Enquiry Commission would become available to the Government expeditiously to enable them to take early decision in the matter.

CHAPTER II

VANASPATI

A. Production Capacity of Vanaspati Factories

2.1. The Committee understand that the Indian Vanaspati Industry made a start in a small way in 1930 when two units were established with a capacity of 303 tonnes a year. With the rise in demand, the industry grew quite rapidly and in 1970 the installed capacity had risen to one million tonnes which may go up to 1.2 million tonnes by 1972. But due to shortages and high prices of oilseeds and unplanned development of capacity, there is a large under-utilisation of capacity around half of the installed capacity. The capacity of industry has been growing continuously but real growth started after Independence. Till 50's there was not much of imbalance between capacity and production. However, the problem became very serious in latter half of 60's specially after delicensing of the industry in September, 1968. The growth of new units was so fast that Government was forced in February, 1970 to reintroduce the licensing system but in the meantime considerable harm had been done. Due to lack of regulation and ignorance of demand, capacity had been expanded far ahead of requirements blocking substantial capital. In enthusiasm for developing capacity, a large number of uneconomic size units (below 50 tonnes capacity) has been established or are in the process of establishment which will be clear from the following data:

Number of Units in production expected by 1972	No. of Units.
Capacity	
Below 25 tonnes per day	13
Between 25 to 50 tonnes per day	32
Above 50 tonnes per day	31
Total	76

The industry has expanded largely in Northern and Western India but under-utilisation in the Northern Zone is very high where in 1971-72 capacity utilisation may be only 30 per cent of the installed capacity.

2.2. The Committee have been informed by a non-official organisation "Vanaspati was declared a scheduled industry under the Industries (Development & Regulation) Act in 1952. Because in the immediate post World War II period the capacity of the industry had increased to a level far in excess of demand, Government decided not to allow any further expansion in capacity. Gradually as Vanaspati demand increased from 1,70,188 tonnes in 1951 to 4,21,599 tonnes in 1965, idle capacity was utilised and modest expansion was permitted. The total installed capacity in 1965 was 6 lakh tonnes. During the past decade there has been growing pressure on processing capacity as a result of increased use of cotton seed and soyabean oils in the manufacture of vanaspati and oils such as linseed in the production of hardened oils for soap making. To meet this Government exempted the vanaspati industry, except for a few of the larger units, from licensing regulations in September 1968. However, in February 1970 under the revised licensing policy the exemption was withdrawn and the vanaspati industry was restored to the list of scheduled industries. During this short period of exemption many existing factories expanded their capacities and a large number of new factories were established. The number of factories licensed increased from 51 to 100. The total capacity licensed has increased from 6.35 lakh tonnes to 16 lakh tonnes. This sudden rush for putting up vanaspati factories far in excess of demand can only be explained by—

(i) The psychological reaction to a ban on new licences for a long period;

(ii) The simplest of the technology required to produce a marketable product, local availability of equipment and liberal assistance from public financial institutions;

(iii) A belief that the industry was highly profitable and short of capacity whenever vanaspati prices under price control were unremunerative and production declined;

(iv) The complete absence of any kind of market survey.

The industry is now faced with a problem of production capacity far in excess of the demand for its product. In the current year the production of vanaspati will be of the order of 5,75,000 tonnes. In addition the industry will produce about 45,000 tonnes of hardened oil for industrial purposes. Against this the installed capacity of 66 factories inproduction is already 11,80,000 tonnes. As more licensed factories start production, capacity will be increasingly under-utilised. It is learnt that still more applications for establishment of new factories are under consideration by Government. If such licences are issued the capital invested therein could remain idle for very long periods because, if the past demand trends are any guide, it may take the industry about 20 years to utilise the capacity already licensed. To the extent that such factories will draw funds from pubilc financial institutions they represent not only a waste of scarce financial resources but also a waste of steel and other scarce materials; it is therefore suggested that Government should stop further licensing of capacity."

2.3. The representative of the Vanaspati Manufacturers Association of India stated during evidence "There was very strict control on the licensing policy for Vanaspati till October, 1968. Then the industry was de-licensed and with the exception of a few large manu facturers, anybody was permitted to set up a Vanaspati factory. The effect of de-licensing the industry was that a belief was created that there was in fact far more demand than what is existed. So every body went in and a large number of new manufacturers came in and the existing manufacturers expanded their capacity without any real assessment of the demand." He added "The rate of growth has been about 4 per cent a year or over a decade it should have gone up by 50 per cent compound. Ten years ago the demand was about 4 lakh tonnes." He maintained "If current trend in demand is maintained, there is no chance of installed capacity being utilised for many more years. Our recommendation would be that Government should go slow or stop licensing for the time being." Elucidating the point he stated that "Vanaspati is consumed in large quantities only in North India and to some extent in West India. In the South and East, it is not a major cooking medium. So if the prices of oils go down, it will lead to a general increase in the consumption of fats throughout the country. What this reflects is an increase in the consumption of Vanaspati mainly by the Vanaspati consuming areas in this country *viz.*, North, North-East and West.''

2.4. The Director (Vanaspati) in the Directorate of Sugar and Vanaspati informed the Committee "It is a fact that at present there is a large excess in installed capacity in the Vanaspati industry as compared with actual requirements, as reflected by the demand for the product currently, and anticipated in the immediate future. This industry has continued to be overinstalled all these 20 years since the Industries Act came into force in 1952. But there were pockets of shortfall in capacity, and a certain amount of inadequacy was felt in some regions, particularly the Northern region. So in the context of the general liberalisation of industrial licensing in recent years, the Vanaspati Industry too was delicensed in September, 1968 for 1½ years. Much of this excess capacity come about during that period. The industry was brought back under licensing control in February, '70. Keeping in view the large increase in capacity which came about during the delicensed period the reimposition of licensing control effected in February 1970, was of a total nature—the facility allowed to industrial undertakings having fixed asset upto Rs. one crore, to instal capacity without a licence, available for other industries, not being extended to the Vanaspati industry. This enables effective control to be exercised by Government on further increase of capacity in the industry."

2.5. Explaining the position further, he stated "At the time the industry was delicensed in September, 1968, the capacity requirement anticipated by the end of the Fourth Plan was 7.25 lakh tonnes per year. The available capacity then was 6.36 lakh tonnes per year. Much of this capacity was in existence before the Industries Act came into force in 1952. It was located in areas in which there was not much demand for the product as in the South, whereas in areas like North, there was considerable demand for Vanaspati, but the capacity was not adequate. There was also this overall shortage of about 1 lakh tonnes." He added "In 1968, 4.74 lakh tonnes was the production of Vanaspati for eatable purpose and about 27,000 tonnes for the production of industrial oil used in soap manufacture. There is no separate capacity for the two-purposes. It is a combined capacity for the production of Vanaspati and industial hard oil." He assured the Committee that care shall be taken, that no new capacity was allowed to be set up except in backward areas, etc. The installed capacity was about 10.5 lakh tonnes per year; the licensed capacity was about 16 lakh tonnes. Mostly of it had only recently been licensed having come up during or after the delicensing period. According to him by the end of Fourth Plan a capacity requirement of about 9 lakh tonnes per year was anticipated for achieving a production of 7.5 lakh tonnes of Vanaspati and about 50,000 tonnes of industrial hard oil. By the end of the Fifth Plan the capacity requirement was expected to rise to 11 lakh tonnes and the present installed capacity would be more or less enough to cover the anticipated requirement up to the Fifth Plan period.

2.6. With a view to utilise the idle capacity, the Committee were informed that the Ministry of Industrial Development had permitted every industrial undertaking to diversify its production to the extent of 25 per cent of its capacity, except that a license was required by the Larger Industrial Houses.

2.7. The Committee note that at present there is a large excess in installed capacity in the Vanaspati Industry as compared with actual requirement and according to Government expectation at the end of the Fifth Plan the capacity requirement is expected to rise to the level of the present installed capacity. They feel that if any market survey had been undertaken, this situation could have been avoided

and the huge investment made which is now lying in the shape of idle capacity, could have been utilised purposefully. The Committee suggest that further licensing should be stopped immediately except in backward areas and proper planning should be done before new capacity is created to meet the future requirements of Vanaspati in the country. They also recommend that vanaspati industry may be encouraged to diversify their idle capacity inter alia **to produce hardened oil used for manufacture of soap. They would also like Government to have this matter examined by an expert Committee which may also have representatives of the Directorate General, Technical Development and the Ministry of Industrial Development as to how best the idle capacity could be utilised.**

B. Distribution of Vanaspati

2.8. The Committee understand "The 60's mark a significant milestone in the history of the development of vanaspati as a cooking medium. Today vanaspati is a vital ingredient in the diet and accounts for 20 per cent of all the vegetable fats consumed in India. It is the single largest processed food industry in the country after sugar. The 60's have seen the virtual disappearance of public prejudice towards vanaspati—a prejudice common to all substitutes to traditional items. In fact, vanaspati became so important as a consumer item that its prices and occasional periods of short-supply were featured as front page news in the press. In the context of the total edible fats consumed in the country, the total increase in vanaspati consumption during the period 1961 to 1970 is markedly greater than that of the edible oils as shown below:—

	1961	1971	% Increase
Vanaspati	3,33,434	5,86,846	76
Edible Oils	12,00,000 (Est)	18,00,000 (Est.)	50"

2.9. The Committee have been informed by a non-official organisation "As production can readily match demand provided edible oils are available there is no need for production or distribution controls. Currently the quality of vanaspati is regulated under the Vegetable Oil Products Control Order 1947. It also prescribes the types of edible oils which can be used in the manufacture of vanaspati. Local availability of edible oils varies from region to region. Since vanaspati can be manufactured from any edible oil, if the vanaspati industry is allowed to use all edible oils it will reduce the pressure of demand from the industry on groundnut oil. To mitigate the shortage of any particular oil that may arise the industry can change to other oils which are available in larger quantities. This will stimulate the growth of all edible oilseeds and encourage solvent extraction of oil cakes and prevent the loss of oil that is currently taking place in expeller or Ghani crushed cakes."

2.10. The Committee also understand "There appears to be no reason why there should be a shortage of vanaspati in the market unless external restraints make it uneconomical for the manufacturer to produce or sell it. Against a demand of 6 lakh tons of vanaspati today, capacity currently is well over 10 lakh tons and is expected to reach 12 lakh tons by the end of 1972. Demand is growing at the rate of 4 per cent to 5 per cent per annum, so, for many years, there will be a substantial surplus of capacity in relation to demand."

2.11. It was brought to the notice of the Committee that it was matter of common experience that when the prices of Vanaspati were reduced, ther was scarcity of Vanaspati in the market leading to encouragement to black-market in Vanaspati sale and the moment the prices were raised upward, Vanaspati was available in abundance. The Committee desired to know the reasons for such shortages particularly when the production capacity was more than the demand and how the shortages could be checked. The Department of Food have informed the Committee, in a written note. "The apparent scarcity of vanaspati following a price reduction, and easy availability following a price rise, is quite an understandable phenomenon in respect of any commodity whose prices are subject to Governmental control, and much more so in the case of a commodity like vanaspati, where the control on price is not accompanied by control of distribution. These are not real shortages, and hence are not directly influenced by the adequacy or otherwise of production capacity. Even so, it may be of interest to note that, in the context of the substantial increase in production capacity that had taken place recently, the supply position throughout 1971 was reasonably satisfactory, and the product has been available at, or below, the controlled price in all parts of the country. To ensure fuller utilization of the available capacity, we have promulgated a minimum production control Order under which minimum limits of production have been fixed for each factory w.e.f. October, 1971, after taking into account its past production, seasonal fluctuations and other relevant factors."

2.12. It was also brought to the notice of the Committee that all consumers, especially the low-income group suffer when there was a physical shortage of Vanaspati in the market and in such conditions statutory price controls without distribution controls and rationing did not work satisfactorily and Vanaspati, especially in the 'bulk' pack or 'loose' was sold well above the controlled price. Department of Food have informed the Committee, in a written note "The possibility of imposing a control on distribution of vanaspati in conjuction with the existing control on prices was examined by us in 1968, and again in 1970, in consultation with the State Governments, but it has not yet been possible to evolve a workable scheme acceptable to all concerned. This is because, unlike in the case of other such commodities like foodgrains or sugar, the position in the case of vanaspati is rather complicated, due to the frequency of price changes, consumer preferences in respect of brand, pack-size etc., which do not arise in the case of the former. At the same time, most of the State Governments have, at our instance, promulgated, Vanaspati Dealers Licensing Orders, which provide for the licensing of wholesale and retail dealers, control on distribution within the State, watch over stocks held by the dealers and prices charged. We have also sought the coopertaion of the State Governments in the matter of more vigorous enforcement of the controlled prices through organisation of surprise raids, revocation of licences and prosecution of dealers found to charge high prices or withhold stocks. They have also been requested to explore the possibility of marketing the product increasingly through cooperative agencies. The factories have also been addressed in the matter, and enjoined to discharge their own responsibility for ensuring that their product reaches the consumer at controlled rates, by black-listing their agents, stockists or dealers found to charge higher prices or indulge in other such malpractices, and denying them further supplies."

2.13. Where it was pointed out that it was well known that the Vulnerable low-income consumer of Vanaspati was exploited by the retailer who sold Vanaspati from an open bulk (16.5 Kg.) tin and had thus an opportunity of cheating such consumers by giving short weights, adulterating the product and, specially in times of shortage, charging unduly high prices, and it had, therefore, been suggested that there was a need to encourage the industry to produce smaller pack *e.g.* ½ k.g., and ¼ k.g., the Department of Food have informed the Committee, in a written note "The malpractices reported to be indulged in the retailer of vanaspati selling the product, in loose form, from a 16.5 kg. tin apply in equal measure to retail sales of all such commodities including edible oils, ghee, rice, flour etc. This is a matter which requires to be tackled on a much broader front, through more vigorous enforcement of the Weights and Measures Act and other relevant statutes. In any case, the solution offered here of promoting the packing of vanaspati in smaller packs of ½ kg. and ¼ kg. will not help, so far as this problem is concerned. This is because the cost of an empty tin contined increases in reverse proportion to its size. Thus while the (empty) container cost of a 4 kg. pack of vanaspati works out to Rs. 2.60 or 65 paise per kg., that of product packing in a 1 kg. tin or polythene container is as much as Rs. 1.25 to 1.30. It has been ascertained that the container cost of product packed in ½ kg. and ¼kg. tin containers will be around Rs. 1.60 and Rs. 2.00 per kg. It will be appreciated that the class of consumers who prefer to buy vanaspati in loose form, rather than in a 2kg. or 4 kg. tin container, merely for saving on container costs, would never go in for a ½kg. or ¼kg. container considering the disproportionately and prohibitively higher container costs involved. It would also be pertinent to point out that vanaspati packed in ½ kg. and ¼ kg. containers would require 3 times and 5 times respectively the quantity of tinplate that would be needed for packing the same quantity of product in a 16.5 kg. container, and 1½ and 2½ times respectively the quantity required for packing in a 4 or 2 kg. container. In the present situation when tinplate is admittedly in short supply, such profligate use of tinplate on mini-packs of vanaspati is obviously a luxury which we can ill afford. In fact this was the very reason why the use of these sizes of containers for packing vanaspati was banned by us in July, 1963, despite a sustained compaign launched by M/s. Hindustan Lever Ltd., who were the only producers of vanaspati, packing a part of their production in these luxury-packs, to reverse the decision. Thus, both from the point of view of price and wasteful usage of a scarce commodity, the suggestion for the use of ½ kg. and ¼ kg. containers for packing vanaspati does not merit consideration. The cost consideration would hold good even for polythene packings of these sizes, which cost about the same as tin containers."

2.14. In regard to controls, the Secretary, Department of Food informed the Committee, during evidence that there was no intention on the part of the Government at present to consider seriously any proposal for removoal of control. In the context of the present economic situation any control which existed was not being removed; on the contrary, new ones may be brought in if necessary.

2.15. The Committee note that the Vanaspati is the single largest processed food industry in the country after sugar and that the Sixties have seen the virtual disappearance of public prejudice towards Vanaspati—a prejudice common to all substitutes to traditional items.

2.16. The Committee, however, are constrained to note that occasional scarcity in the availability of Vanaspati arises and the people are not able to get the requisite quantity at reasonable rates. They, therefore suggest that Government may examine the reasons for scarcity in detail and formulate a scheme whereby adequate quantity of Vanaspati is available in the market at all times to the consumers.

2.17. The Committee have received some complaints that the consumers, particularly the weaker sections, who want to purchase Vanaspati in small quantities are not assured of full weight and adulteration free Vanaspati. With a view to protect such consumers from such mal-practices, research should be undertaken to evolve suitable and economical packings of Vanaspati.

C. Oilseeds Production—Vegetable Oils—availability in the country as well as imports.

2.18. It was brought to the notice of the Committee that the availability of vegetable oil per head has declined from about 5 kg. in early 1960 to 4.5 kg. in 1969-70 despite imports of about 2 lakhs tonnes a year. As it is, fats availability in India is meagre being only ½ as much as the world average and only 1|5 of the desirable nutritional levels. A decline of 10 per cent from this low level in an essential article has naturally caused serious hardship through a steep rise in oil prices. The primary cause of this has been a stagnation in oilseeds produtcion. In the two decades of planning, the output has increased at the rate of 2.2 per cent. The rate of growth in the sixties has been negligible at 0.32 per cent. On the demand side our population continued its inexorable rise of 2.5 per cent a year cutting into the meagre per capital availability. Industrial demands are also rising as the produtcion of soap, vanaspati and paints is incerasing. With growing self-sufficiency of cereals, demand for supplementary foods like fats will rise faster in future. If the present trends in production continued, oil will soon be as scarce for the common man as ghee is today."

2.19. The representative of the Vanaspati Manfacturers Association of India stated, during evidence, that oilseed production had not kept pace with the growth in demand in the last two decades and oilseeds produtcion fluctuated widely from year to year and the vanaspati industry was often faced with the twin problems—paucity of oil supplies and high prices. Elucidating the point, the witness stated that oliseeds were largely grown in rainfed areas and not in irrigated areas. As a result, when the monsoon was bad, the crop was bad and *vice versa.* Groundnut was the main oilseed of our country and there had been no break-through in respect of this seed and it had been a retrading factor in the growth of oil production. Besides, there had been no price support policy for groundnut oil on account of which there had been very wide fluctuations in its price ranging from Rs. 3,000 to Rs. 5,000. He also stated that some research had been made in new varieties of groundnuts but there had been no spectacular change as was the case with hybrid wheat and ordinary wheat. The witness suggested that our country should seriously consider the adoption of highgrade seeds like sunflower. He also informed the Committee. "The industry uses only about a quarter of the vegetable oils produced in the country. The remaining three quarters are consumed as liquid oil." It was further stated "There is oil in the country to make all the Vanaspati that the country needs. But it is not always possible to purchase it at an economic price." In reply to a question, the witness stated "with a view to give the maximum benefit to the growers, the industry needed a suport price for groundnut oil so that the farmers are not at the mercy of any sharp fluctuation in oil prices." It was stated that the reason why soyabean oil was available under PL 480 was that there was a support price for soyabean in the United States. He added that "the production of oil from the present 2 million tonnes will have to be doubled *i.e.*, 4 million tonnes to meet the present requirement." The witness was of the view "The average oil price in India is roughly twice the average oil price in other countries. We are a highcost oil country."

2.20. In regard to crushing all the available cotton-seeds, the witness stated "If the farmer is provided with an alternative feed for his cattle, we can persuade him to let the seed which is currently not economic to crush, also to be crushed. It requires a two-pronged attack. The manufacturers of cattle-feed should persuade the farmer to use the compound feed so that all the cotton-seed available can be crushed. Secondly, where the farmers are scattered and the demand for the feed is not concentrated, some form of subsidy may be required to be given to the manufacturers of feed to encourage them to go to the farmers and distribute the feed among them and allow the cotton-seed to be released to be crushed." He added that cotton-seed-cake was as good a cattle feed as cotton-seed itself.

2.21. The witness stated that "The current soyabean oil price is Rs. 3200 per tonne ex-tank. Groundnut oil price varies between Rs. 4000- and Rs. 5000. The imported price of soyabean oil c.i.f is

Rs. 2,800 per tonne and we get it at Rs. 3,200. The rest is the cost of handling, storage, transport etc." Elucidating the point, he stated "The price of soyabean oil which is imported by State Trading Corporation under PL 480 is the interantional market price." The Committee were also informed that the State Trading Corpoartion imported soyabean oil at Rs. 2,800 and sold it to the manufacturers at a subsidised basis at Rs. 3,200. Recently they had offered soyabean oil to the manufacturers on "commerical basis" at Rs. 3,800 at which it was available in the local market also.

2.22. In regard to the targets and achievements in respect of the five major oilseeds, namely groundnut, seasame, rape/mustard, linseed and castor the Committee have been informed by the Department of Food in a written note as follows:—

(in Lakh tonnes)

Plan	Base level	Targets	Achievements	
1st Plan (1951-52 to 1955-56)	51·6	55·7	57·3	(1955-56)
2nd Plan (1956-57 to 1960-61) .	55·9	77·2	69·8	(1960-61)
3rd Plan (1961-62 to 1965-66) .	72·1		72·8	(1961-62)
			73·9	(1962-63)
			71·3	(1963-64)
			85·6	(1964-65)
		99·6	64·0	(1965-66)
1966-67		98·9	64·3	
1967-68		90·0	83·0	
1968-69		100·0	68·5	
4th Plan (1969-70 to 1973-74)		85·0	77·3	(1969-70)
		90·0	91·9	(1970-71)
		95·0		(1971-72)
		105·0		(1973-74)

2.23. The consumption of indigenous and imported oils in the manufacture of vanaspati during the past three years has been—

('000 tonnes)

	Indigenous oils				Imported oils	
	Ground nut oil	Sesame oil	Cotton seed oil	Total	Soyabean oil	Total
1969	264·6	34·1	91·4	390·1	110·5	500·6
1970	323·0	39·6	92·9	455·5	86·7	542·2
1971 . . .	401·6	36·0	75·6	513·7*	100·1	613·8

2.24. The availability of cheaper imported soyabean oil during the past few years has helped to supplement indigenous production of edible oils and also to stabilise vanasapti prices at lower levels than would otherwise have been the case. Steps are being taken to fully exploit untapped resources credible oil *e.g.* in cotton-seed, rice-bran etc., and for usage of the oil so obtained in the manufacture of vanaspati at a progressively increasing rate. Steps are also being taken to develop indigenous cultivation of new crops like soyabean, sunflower and oil palm with a view to obviating the need for continued imports of edible oils.

2.25. The oilseeds situation in India has been marked by fluctuating produtcion, and an increasing shortage of supply compared to demand. The prices of edible oils have more than doubled over the past decade, the price index rising from 100 in 1961-62 to 211.9 in 1971. As against this, the general level of prices have increased by only 85 per cent during the same period.

2.26. In view of the shortage of oilseeds and oils, their exports have been restricted for the past several years. During 1970-71 (Oct. Sept.) exports of groundnut oil, raw and refined, were allowed within the combined ceiling of 200 tonnes, which is really a negligible figure having regard to the fact that in 1963-64, our exports of this oil had touched nearly 1 lakh tonnes. Actual exports have been even less, at 100-200 tonnes, owing to high internal prices.

2.27. Exports of oilseeds have been banned since mid-1964. Exports of HPS groundnut (a low-oil content variety fetching a high

* includes 0·5('000 tonnes) of Sunflower, ricebran and coconut oils.

price, for direct edible use) are, however, allowed, these totalling 37,000 tonnes in 1968-69, 36,400 tonnes in 1969-70 and 25,900 tonnes in 1970-71 were of the value of Rs. 7.02, Rs. 7.83 and Rs. 5.62 crores respectively.

2.28. Exports of castor oil are also allowed and are now canalized through S.T.C. Exports totalling 36,500 tonnes during 1968-69, 13,600 tonnes in 1969-70 and 15,600 tonnes during 1970-71 were of the value of Rs. 9.89, Rs. 3.47 and Rs. 5.89 crores respectively.

2.29. India is a major exporter of de-oiled oil cakes (generally referred to as extractions). A customs duty of Rs. 125 per tonne is imposed on export of groundnut cake, exports during 1967-68 being 5.87 lakh tonnes valued at Rs. 37.21 crores; during 1968-69, 6.82 lakh tonnes valued at Rs. 41.96 crores; during 1969-70, 5.10 lakh tonnes valued at Rs. 32.72 crores; and during 1970-71, estimated at Rs. 55 crores.

2.30. It has also been stated "A proposal for creation of a buffer stork of 4 lakh tonnes of imported oils over a period of four years linked to a long-term import/export programme, which provided for the import of 4.5 lakh tonnes per year of soyabean/sunflower oil/tallow and the export of 1.6 lakh tonnes of groundnut/groundnut oil/castor oil submitted to Government by M/s. Hindustan Lever Ltd., Bombay, in July 1969 was considered in detail but not found acceptable. It was eventually decided that there should be no export of groundnut oil and that imports may be limited to those currently being obtained on concessional terms. At the same time, steps should be taken to increase the production of indigenous oils by a fuller exploitation of existing untapped sources of oil like cottonseed and rice-bran."

2.31. Department of Food have also informed the Committee "The vanaspati industry needs 20—25 per cent of the country's production of indigenous edible oils, but this fact alone does not necessarily guarantee their ready availability to the industry at reasonable prices at all times, since vegetable oils are also consumed in raw form and there are occasions when there is a shortage in the total availability of these oils. As a long-term solution to this problem, efforts are being made to maximise indigenous production of edible oils, particularly groundnut as also to develop new crops like soyabean, sunflower and oil palm. Steps are also being taken to encourage increased crushing of cottonseed and rice bran, and consumption of the oils so obtained by vanaspati factories to a larger extent. So far as the purchase of oils by the industry at an economic price is concerned, prices of vanaspati are being fixed after taking into account the purchase price of raw oils during the preceding fortnight, and hence increase in prices of groundnut or other oils does not necessarily make them "uneconomical" for use in the manufacture of vanaspati since the cost of oil is fully taken care of while fixing the price of vanaspati fixed in the succeeding fortnight."

3.32. During evidence, the Joint Commissioner (Crop Division) Ministry of Agriculture (Department of Agriculture) agreed with the view that oilseeds production had not kept pace with the demand and there was a shortage of 2 lakh tonnes of oil; but if production figures for the last two decades were taken into consideration, it would be seen that the production during 1950-51, was of the order of 51 lakh tonnes while during 1970-71, it went upto 91.87 lakh tonnes. According to him there were quite a large number of fluctuations from year to year which were on account of unfavourable weather conditions. He also stated that for want of irrigation the yield of oilseed was very low. Hardly 5 per cent groundnut area was under irrigated condition. In the Southern States a second crop of groundnut had been introduced in the rice fallows from January to April. It was also stated that so far the entire emphasis was on production of food crops and only from this year, due to cut in economic aid the State Governments had been approached to revise the policy. He also stated "It is true that production can be stepped up through—

(i) Improved agronomic practices.

(ii) Increasing area under assured rainfall/Irrigation.

(iii) Developing high yielding and better varieties of seed.

(iv) Cultivating new oilseeds more suited to the local soil and climates, and

(v) Introducing price supports which guaranteed a maximum price.

Our entire strategy on increased production of oilseeds is based on these."

2.33. In regard to cotton-seed production, the Secretary, Department of Food informed the Committee "The current production of cotton-seed in the country is about *19 lakh tonnes. About eight lakh tonnes are being crushed already which yields about one lakh tonne of oil. It should be one-sixth, but because of wastage, etc., it is one lakh tonne. We would very much like to get another one lakh tonne but that means crushing another eight lakh tonnes. We have called the representative of the crushing industry for discussion. One incentive is already there, indirectly *i.e.*, a certain excise rebate is given to Vanaspati factories on the use of cotton-seed oil in the manufacture of vanaspati. Our first effort is to find indigenous sources for our own requirements." He added "today, about eleven lakh tonnes are being fed to cattle and it is a comparative waste in the sense cattle feed requires only about four per cent of oil whereas the oil content here is about 16-17 per cent. From that angle it is a waste but the problem remains. On the one end is the oil; and on the other end is the cake. Something has to be done with the deoiled cake as it has less than four per cent oil and it cannot be fed directly to the cattle. By adding something it can be made to have a higher oil content. We have entrusted the matter to the Food Corporation of India and this matter is under consideration."

2.34. In regard to the allegation that the State Trading Corporation imported soyabean oil at Rs. 2,800 and sold it to manufacturers of Vanaspati at Rs. 3,200 (at Rs. 3,800 on commercial basis), the Director (Vanaspati) in the Directorate of Sugar and Vanaspati stated "In the first place, though the CIF value of the oil was Rs. 2400 to Rs. 2500 per tonne, its final landed cost including duty and storage and incidentals worked out to Rs. 2925 to Rs. 3050 per tonne; the price varied from time to time. The one which we used in recent months was imported at an average price of Rs. 3000 per tonne and not Rs. 2,800 per tonne. It is being sold at Rs. 3,200 per tonne. We have had to sell imported oil in the past at a price even lower than the economic import price and the slightly higher sale price of the recent issues was intended to offset the loss suffered. In July-August indigenous oil prices suddenly shot up to high levels and Government thought of a number of corrective measures. These included the release of an additional quantity of soyabean oil to the vanaspati factories in August 1971 on a commercial basis specifically for reducing the strain on the limited supplies of groundnut oil then available and thus stabilise oil prices; 6,000 tonnes were so released at a price of Rs. 3,800 per tonne. This was in addition to the normal release of 9,000 tonnes offtake in that month at the usual issue price of Rs. 3,200 per tonne for offsetting the rise in groundnut oil prices. Subsequent issues of soyabean oil has been and continue to be made at the same price (Rs. 3,200 per tonne)."

2.35 In respect of import of tallow for manufacture of soap, the Department of Food have informed the Committee, in a written note, "For the manufacture of good quality soap, it is necessary to use "hard oils", which include animal fats like tallow and hydrogenated vegetable oils. During 1970, 94,242 tonnes of hard oil (incl. 48.300 tonnes of imported tallow) were used by the organised sector; the consumption in 1971 is estimated at 1,12,000 tonnes.

The quantity of tallow imported during the past three years and the value thereof is shown below:

	Quantity ('000 tonnes)	Value (Rs./crores)
1968-69	73·4	9·35
1969-70	99·3	11·98
1970-71	88·8	15 07

Tallow is being imported for supplementing the availability of hardened vegetable oils produced indigenously for soap manufacture."

2.36. In another written note, the Committee have been informed "The use of edible groundnut oil in the manufacture of soap is being actively discouraged and, according to the D.G.T.D. which is looking after soap industry, this oil is not being used by the organised sector of the soap industry except, if at all, to a very negligible extent. It is possible that some quantity is being used by the unorganised sector but no definite information is available in regard to the extent of such use, if any. Substantial quantities of tallow, of the order of 75 to 100,000 tonnes, are being imported each year for use in the manufacture of soap; these imports are presently being effected under US AID asistance programmes. As regards vanaspati, with the increasing produtcion of cottonseed oil in the country over the last few years and its utilisation in the manufacture of Vanaspati as well as substantial imports of soyabean oil of the order of 75 to 100,000 tonnes per year that have been effected for some years past, the usage of groundnut oil in vanaspati has progressively fallen from 85.90 per cent prior to 1965 to around 50-60 per cent at present. Efforts are presently being made to step up the prodution of cottonseed oil at a still faster rate than in the past, and to encourage its use in the manufacture of vanaspati at still higher levels than hitherto, so as to do without further imports of soyabean oil supplies of which, from the U.S.A., have in any case been stopped at present. The suggestion that the entire quantity of groundnut oil used in vanasapti manufacture should be exported, and the same replaced by a corresponding import of creaper oils like soyabean oil, though quite attractive at first sight, may be diffiult of achievement in practice, for the reasons explained below. The average priec of groundnut oil in Inida (at Bombay) during 1971 was Rs. 4148 per tonne.

The corresponding averages for groundnut oil and soyabean oil in international markets was Rs. 3307 and Rs. 2269 per tonne respectively. It will thus be seen that the price of groundnut oil in this country was only about 25 per cent higher than the international price of groundnut oil; however, compared to soyabean oil, it was higher by over 80 per cent.

The import|export programme envisaged here is presumably confined to the raw oil requirements of the vanaspati industry—and how the foreign exchange required for importing soyabean oil to meet th entire requirement for vanaspati compares with the foreign exchange earnings from export of an equivalent quantity of groundnut oil. Allowing for the compulsory usage of 5 per cent of sesame oil in vanaspati (about 30,000 tonnes per year) and also for the use of about 1 lakh tonnes per year of cottonseed oil, the net requirement of raw oils for vanaspati would be of the order of 5 lakh tonnes per year. Based on the international price of Rs. 2269 per tonne of soyabean oil plus freight at Rs. 150 per tonne, the import of 5 lakh tonnes of soyabean oil is likely to cost around Rs. 121 crores per year. The export earnings of an equivalent quantity of groundnut oil, based on the international price of Rs. 3307 per tonne less freight of Rs. 150 per tonne would be about Rs. 158 crores. However, in view of the lower export earning vis-a-vis the internal price of groundnut oil of Rs. 4148 per tonne, the export operation would entail a rupee loss of Rs. 50 crores, which would have to be subsidized in one form or the other. But as against the net foreign exchange gain of Rs. 37 crores which may appear to result from this operation it will be extremely difficult, if not impossible to synchronize import|export operations of this vast magnitude (5 lakh tonnes per year each way) and there are bound to be considerable time-lags between the two, particularly since each of these operations is governed by a host of unpredictable factors. In the meanwhile, exports of groudnut oil of this magnitude, granting that a market can be found for the same, are bound to have a vastly depressing effect on international prices of groundnut oil and, at the same time, lead to a sky-rocketing of internal prices. Import of soyabean oil of the same magnitude would also lead to a similar inflationary effect on international prices of this oil. Considering that, even as it is, the foreign exchange advantage that would appear to accrue from these operations is comparatively small, these inevitable rises in the internal prices of groundnut oil and the international price of soyabean oil and fall in the international price of groundnut oil could throw the entire economics of this programme overboard and, far from obtaining any foreign exchange advantage, it could quite conceivably lead to very heavy losses. Thus the apparent adantage which this programme may seem to offer may prove wholly illusory, and hardly worth the risks involved. Apart from these considerations, the fact is that our port facilities are presently far from adequate for handling an import|export programme of this vast magnitude (5 lakh tonnes of oil per year each way), and the position is not likely to be much better in the near future. If the proposed imports are in the form of soyabean oil, they can also be used for soap making after hardening by hydrogenation. If palm oil is imported it can be used directly in soap, as it is already sufficiently hard. The current requirement of hard oil for soap in the organized sector is about 1.12 lakh tonnes per year. There is adequate availability of non-edible liquid oils in the country for soap manufacture. These can also be hydrogenated for meeting the part of the hard oil requirements of the soap industry."

2.37. During evidence the Director (Vanaspati) in the Directorate of Sugar and Vanaspati stated "There are two things. Firstly groundnut oil is essentially an edible oil and we are short of it. It is our effort to see that edible oils are used only for edible purposes and that for the manufacture of an industrial product like soap only inedible oils are used to the extent they are available. Secondly, tallow is a very cheap material and hence the import of tallow brings down the price of soap apart from saving on the edible oil resources of the country. This is why tallow is being imported." The Secretary, Department of Food, stated "Tallow was imported at Rs. 1400 per tonne whereas the price of groundnut oil at present is Rs. 4,000 a tonne. It is nearly three times. The soyabean oil is being imported at a price of Rs. 2,400 to 2,500 per tonne, CIF. In the present context, there is an overall shortage of oils in the country particularly edible oil. We are trying other sources. Groundnut oil has to be preserved for eating purposes more than for going into the soap." He added that because of the curtailment of the import of tallow, the demand for industrial hard oil was going to be to a much larger extent than anticipated. About 1.40 lakh tonnes of tallow was being imported for the last two years.

2.38. As far as the use of sunflower oil is concerned the Joint Commissioner (Crop Division) Ministry of Agriculture (Department of Agriculture) stated "Introduction of Sun-flower can meet the shortage of oil in the country. The Ministry of Agriculture imported some exotic varieties from Russia and tested them at various places and we have observed that it can give about 10 quintals per hectare within a period of 105-120 days. It contains about 50 per cent oil with the result that quite a large quantity of oil can be produced per unit area. Research is still going on in identifying suitable variety for different areas and as soon as those varieties are selected and identified, we intend to import large quantity of seeds for commercial cultivation in the country. Within the next two years we hope to bring sufficient acreage under sunflower".

2.39. The Ministry of Agriculture (Department of Food) have informed the Committee, in a written note "The problem of price stability of oilseeds is being tackled partly by maximising indigenous production, both from the existing sources (including fuller utilisation of untapped resources like cottonseed and rice bran) as well as through development of new oilseed crops (soyabean, sunflower, oil palm), and supplementing this by imports to the extent necessary, and partly through regulatory measures like restrictions on exports selective credit control, restrictions on forward tading etc. The question of creation of a bufferstock of edible oilseeds/oils for release into the market as and when necessary so as to stabilise prices within a specified range was also examined in this context, but not found to be practicable."

2.40. The Committee agree with the view that oilseeds production has not kept pace with the increase in demand and there was a shortage of 2 lakh tonnes of oil and that the industrial demand for this commodity has been rising as the production of vanaspati, soap etc., is steadily increasing. With growing self-sufficiency of cereals, demand for supplementary foods like fats is expected to rise faster in future. They also agree with the view that oilseeds have seen no agronomic break-through and it had been a retarding factor in the growth of oil production.

2.41. The Committee note that in view of the shortage of oilseeds and oils, their exports have been restricted by Government for the past several years. During 1970-71 exports of groundnut oil, raw and refined, were allowed within the combined ceiling of 200 tonnes which is stated to be a negligible figure having regard to the fact that in 1963-64, our exports of this oil had touched nearly 1 lakh tonnes. The Committee also note that as a long-term solution to this problem, efforts are being made by Government to maximise indigenous production of edible oils, particularly groundnut as also to develop new crops like soyabean, sunflower and oil palm. Steps are also being taken to encourage increased crushing of, cottonseed and rice bran, and consumption of the oils so obtained by Vanaspati factories to a larger extent.

2.42. The Committee also note that the use of edible groundnut oil in the manufacture of soap is being actively discouraged and that according to the Directorate General, Technical Development which is looking after soap industry, this oil is not being used by the organised sector of the soap industry. Efforts are presently being made to step up the production of cottonseed oil at a still faster rate than in

the past and to encourage its use in the manufacture of vanaspati at still higher levels than hitherto, so as to do without further imports of soyabean oil supplies of which, from the USA, have in any case been stopped at present.

2.43. The Committee recommend that a crash programme should be drawn up to have an agronomic break-through in the production of oil seeds and development of new crops like soyabean, sun-flower and oil palm. Simultaneously production of cotton seed oil should be stepped up and its use in the manufacture of Vanaspati ensured.

D. Vanaspati Prices

2.44. It has been brought to the notice of the Committee that "Vanaspati prices are controlled by the Government of India under the Essential Commodities Act. Since the cost of edible oils, the principal raw material, constitutes nearly 85 per cent of the cost of vanaspati and as oil prices fluctuate by as much as Rs. 100 per day and over Rs. 2,000 per tonne in a year Government review prices every fortnight on the following basis:—

(1) Weighted average costs of edible oils purchased by factories in each zone,

(2) Net value of oil lost in processing at 1.5 per cent of the cost of oil determined as in 1 above, and

(3) Fixed margin to cover the cost of manufacture, marketing, packing, distribution of the product to various parts of the country and return on capital employed which covers interest on borrowed capital, bonus to employees, ex-gratia payments to staff and gross profit.

The fixed margins currently allowed are based on the verification of costs of some selected factories by Government Cost Accountants in 1962-63. Subsequently there was some adjustment in the margin in 1966 and 1967 on the basis of data submitted by the industry for the year 1964-65. In the case of packing cost Government have allowed increases on the basis of increases in tin-plate prices announced by tin-plate producers. Although the major part of the industry's requirements of containers is purchased from commercial fabricators and market prices of containers vary depending upon availability of tinplates, the industry is neither allowed full adjustment of such increases in container costs nor allowed quotas of tin-plate on the basis of their packing requirement so that they can get containers fabricated at prices allowed in the packing costs. Following representations by the Association for revision of processing costs, Government referred the matter to Tariff Commission in 1969. The industry furnished data on the cost of production for the accounting years 1968-69. Tariff Commission Cost Accountants verified the costs last year (1970) and the Commission has submitted its report to Government in March 1971. Government have not yet taken a decision on the recommendations of the Commission. In recent months costs of chemicals, coal, fuel oil, labour have also risen sharply. Government have not yet allowed adjustments in cost increases even upto the time of enquiry by the Commission over a year ago. At present Government allow a fixed return of Rs. 84|- per tonne. In 1964 Government Cost Accountants had recommended a return of Rs. 62|- per tonne on the basis of vanaspati cost of Rs. 2340|- per tonne and investment in fixed assets of Rs. 130|- per tonne of production capacity. On the basis of representations by the Association that with the increase in the cost of oils the working capital requirement of the industry had increased Government in consultation with Cost Accountants allowed an ad hoc increase of Rs. 22|- per tonne in 1967. Today the return on capital works out to only 1.7 per cent of the cost of vanaspati. Considering that interest rates have increased from about 8 per cent in 1964-65 to minimum 12 per cent prescribed by Reserve Bank for advances against oils and vanaspati, increased capital investment per tonne of capacity in the large number of new factories being installed estimated at Rs. 400/- per tonne instead of Rs. 130/- per tonne previously it would be only just if the return on capital is fixed at 4 per cent of the cost of vanaspati. To sum up it is suggested that—

(1) Tariff Commission report on the vanaspati industry be released and the margins allowed in the controlled price of vanaspati updated on the basis of the findings of the Commission's Cost Accountants.

(2) The Industry should be allowed packing cost on the basis of market prices of containers and such costs should be reviewed every quarter.

(3) The return on capital employed should be atleast 4 per cent of the cost of vanaspati."

2.45. During evidence, the representative of the Vanaspati Manufacturer's Association of India informed the Committee "There is a time lag between the change in the Vanaspati price and the purchase price of the oil which leads to all kinds of distortions in the market. If the price of the Vanaspati is changed in line with the market price of oil, there will be no problem. It is really because of delays and the time lag that the problem arises." The witnesses admitted that "In times of rising prices of oil, the consumer often has to pay, particularly the purchaser of loose vanaspati, more than the controlled price ......Oil prices are not fixed by the manufacturers.

They are dependent on the interplay of the market forces......... It is the variations in the oil price which ultimately reflect in the change in the prices to the consumer." With a view to arrest the rapid variation in the price, the witness suggested that "the Government should build up a buffer stock which should be capable of neutralising these variations in oil prices so that when the price of oil rises in the market, it should release oil in the market and when there is a surplus of oil, it should buy the oil and stock it." To a question whether the vanaspati manufacturers did not make bulk purchase of groundnut oil when it was cheap in the market, the witness stated "They are not capable of doing it because there are severe limitations on credit and they cannot store it over a long period. Usually, the manufacturers carry a stock of only 10 days requirement." In reply to another question, the witness stated that "only a very small proportion of the oil used by the industry is crushed by itself. The rest is done by small ghanis, solvent extractors and so on. Most manufacturers themselves do not buy seeds. They buy oil, because they do not have the capacity to stock and they also cannot predict how the market will behave." The witness further stated "Now the capacity is twice the demand (Production is 6 lakh tonnes, demand is also about 6 lakh tonnes and capacity is 12 lakh tonnes and therefore all the manufacturers are prepared to sell vanaspati even at a discount in order to get rid of their stocks and in order to keep their factories going. So, for the greater part of this year, vanaspati was available in most places at prices below the controlled price."

2.46. In regard to price structure of vanaspati manufacture, the witness stated that "As far as we know from the discussions with the Tariff Commission, they have accepted a cost which is significantly higher than the present cost allowed to vanaspati. We have been able to persuade the Tariff Commission that certain higher costs should be allowed for each zone and that cost has already been accepted. Whether it will be allowed by Government is another matter." He added "As a result of unremunerative prices, a large number of factories are going to close down."

2.47. The witness stated that "We as an Association are in favour of zonal pricing because the costs of oil in the various zones are not the same .... If you attempt to achieve a uniform vanaspati price throughout the country, you will be subsidising some consumers far beyond other consumers. Whether it is equitable or not is really the question."

2.48. The Director (Vanaspati) in the Directorate of Sugar and Vanaspati stated during evidence "A number of measures had been taken from time to time of a regulatory nature, aimed at countering speculative activities which often lead to very high prices. There is a ban on forward trading in edible oilseeds and oils. Non Transferrable Specific Delivery contracts in groundnut and groundnut oil which were being allowed in the past have now been disallowed from October, 1971. The position of oil seeds and oils is reviewed from time to time. Minimum margins are raised whenever there is oil shortage. During the peak season they are usually reduced particularly if the price situation so warrants. At the same time steps are taken to see that these margins do not affect industrial processing so that the special concession goes to the industry itself."

2.49. The Committee note that the Report of the Tariff Commission has been submitted to the Government on the 3rd March, 1971 and the report is under consideration of Government. The Committee feel that Government should not take such a long time to take decision in this regard and they suggest that the decision may be expedited.

E. Export of Vanaspati

2.50. It has been brought to the notice of the Committee that "India had developed an export trade in Vanaspati to markets in Western Asia, Fiji, Singapore and a limited quantity of hydrogenated groundnut oil to Australia. These markets were lost when a ban was imposed on exports in 1964 on account of steep rise in edible oil prices. Since edible oil prices in India are much higher than in the world markets it has not been possible to recapture these markets even when the ban on exports was removed. Government have in the current year announced a policy of allowing an exporter of Vanaspati import of cheaper soybean/sunflower/palam oil at the rate of one tonne per tonne of vanaspati exported or 60 per cent of the f.o.b. value of vanaspati exported whichever is lower to improve exports. It must, however, be stated that the prospects of Vanaspati exports are limited because in its present state it is not a technologically complex industry and developing countries are establishing vanaspati factories as soon as there is a significant demand. Iran, Iraq and Saudi Arabia once importers from India have all now set up their own Vanaspati factories. The maket for Indian Vanaspati is, therefore, largely limited to the Persian Gulf ports and other areas where the Indian population prefers Indian brands."

2.51. The representative of the Vanaspati Manufacturers Association of India informed the Committee during evidence "Since Government introduced subsidy for allowing export of vanaspati, exports this year (1971) would be 250 to 300 tonnes. Till recently export was banned......Explaining further, he added "Vanaspati is used as a substitute for ghee. There are very few ghee-eating countries outside India. All the countries in South-East Asia, Middle East and Europe use margarine or something else. Even if the export market is fully exploited, the export will not be more than 100 tonnes .... The general price level of vegetable oils in the world is half that of India. Export would require subsidy of a very higher order."

2.52. The Department of Food have informed the Committee, in a written note "Barring an exceptional year like 1955, when an export of over 16,000 tonnes was achieved (mainly to U.K., due to certain fortuitous circumstances), exports of vanaspati averaged 4 to 5000 tonnes per year, mainly to neighbouring countries including the Middle East region. For a long time past, exports of vanaspati have been uneconomical due to the fact that the price of groundnut oil (the main raw material used in the manufacture of vanaspati) has been higher than the international prices by as much as Rs. 500 to 1000 per tonne, which is also reflected in the relative cost of Indian vanaspati *vis-a-vis* competitive foreign product; currently the difference is still higher, at Rs. 1500—2000 per tonne. However, prior to June 1966, an Export Promotion Scheme aimed at off-setting the losses incurred by the exporter through import of profit-earning commodities like copra, palm oil etc., was in force. But, in common with all other such schemes, this scheme was also discontinued in the wake of devaluation. Since then, exports of vanaspati have dwindled to a negligibly low level of 100—200 tonnes per year (value: Rs. 3.5—7.0 lakhs, f.o.b.), mainly for meeting the requirements of Indians overseas."

2.53. In another note, the Committee have been informed "The facility to allow exporters of vanaspati to import an equivalent quantity of soyabean/sunflower/plam oil (subject to a maximum of 60 per cent of the f.o.b. value of the exports) was introduced only in December 1970. The impact of this scheme on the volume of exports is, however, yet to be felt, although already there has been a noticeable increase in exports (from 100 tonnes in 1970 to 216 tonnes in 1971). This is apparently because the import entitlement allowed under this scheme is not adequate to cover the higher losses of about Rs. 1500 to 2000 per tonne presently incurred by the exporters. Besides, we have been virtually cut off from the export market ever since July 1964 when exports were banned, and later allowed on restricted basis in the context of the oil shortage prevailing in the country. During this period, additional capacity is understood to have been built up in many of the importing countries, and hence it will take some time before we can hope to retrieve our position in these markets. But considering that our average level of exports, even under the best of circumstances, has been of the order of just 4 to 5000 tonnes per year, even if we do succeed in our efforts to restore our exports to earlier levels, it would still be a long way from being able to fully utilise the existing installed capacity of the industry."

2.54. The Committee note that India has been virtually cut off from the export market ever since July, 1964 when exports were banned and later allowed on restricted basis in the context of the oil shortage prevailing in the country and that during this period capacity/additional capacity is understood to have been built up in many of the importing countries. The Committee would, however, like Government to examine this matter in a greater detail so as to export more Vanaspati, with a view to utilise fully the existing capacity of the factories producing Vanaspati.

F. Research and Development

2.55. The Committee have been informed that "The margin allowed to the industry makes no provision for research and development costs. Yet the scope for improving vanaspati so that it's nutritional qualities are improved and that its texture and flavour can be made more appealing to the consumers is very great indeed. A comparision with margarine in relation to butter in Western countries is revealing. Today margarine is often preferred to butter because of its texture and nutritional qualities. There is no reason why vanaspati should not be given similar consumer advantages if the incentive to develop and market such a product could be provided."

2.56. The representative of the Vanaspati Manufacturer's Association of India stated "The industry do not have a formal research centre but we have an extension-*cum*- agronomic wing of the Association which is primarily concerned with introducing farmers to better varieties of seeds, improving agronomic practices, recommending the use of fertilizers, pesticides and so on, and telling the farmers how best to improve the yield of groundnuts. We have just taken up a new project for propagating the use of sun-flower in a large area of 400 hectares." He added "Recent experiments have shown that sun-flower grows well in many parts of India, particularly in the South India—Andhra Pradesh, Mysore, Maharashtra, Tamil Nadu etc." The witness also stated "I do not think the oil extension work has received the attention it deserves at the hands of Government. They have mainly concentrated efforts on cereal crops and unless they give oilseeds the same attention they give to cereals, I am afraid we will see a big shortfall in the Fourth Plan targets for oilseeds. There is a limit to what the Association can do. We have financed this programme for the last 5-6 years through our own resources and unless a special provision is made by which we can create a fund for financing this extension work, we may not be able to hit the target."

2.57. In reply to a question the witness stated "We have guaranteed to buy all the sunflower seeds that the grower produces at a fixed pre-determined price which we think will give the grower an adequate return on his investment. Similarly, arrangements have been made by the Government of the various States in regard to soyabean. As far as groundnut is concerned, I do not think it is practicable to try and deal directly with the farmers. This is an enormous area and the trade is well organised." It was added that the sunflower oil-cake was a suitable cattle-feed.

2.58. In regard to a suggestion for a levy of Rs. 5 per tonne, the witness stated that this addition will enable the Association to carry on the work which it had begun in order to propagate the use of sunflower oil and production of sunflower etc., *i.e.*, to finance large extension projects. He further stated "without any levy we are still spending something like Rs. 5 lakhs a year on extension work for the industry as a whole."

2.59. The Joint Commissioner (Crop Division), Ministry of Agriculture (Department of Agriculture) informed the Committee, during evidence, that for certain oilseeds there had been some breakthrough in producing hybrid varieties. He added "In case of groundnut we have evolved a few varieties. In Punjab they have released 2 high yielding varieties. In case of Gujarat and Maharashtra they have released SB XI. These varieties give hardly 10 to 15 per cent more yield than local varieties and to cover a large area it will take a very long period to re-plant a new variety; but this is being done."

2.60. The Department of Food have informed the Committee, in a written note, "The suggestion made by the Vanaspati Manufacturers' Association, for being allowed an extra amount of Rs. 5 per tonne in the controlled price of vanaspati to be utilised for groundnut extension work has been considered by us, but not agreed to. The view was taken that, having regard to the benefits that would be derived by the vanaspati factories themselves from increased production of oilseeds, of which they are the main organised consumers, it would be quite fitting, and in their own interest, for the Association to contribute to the development of the extension programme as par of its normal activities rather than expect the same to be subsidised by the consumer of vanaspati.

Besides, the extra amount sought for by the Association, computed on an annual production of about 6 lakh tonnes per year, works out to a tidy some of Rs. 30 lakhs. It would be hardly appropriate for the Government to place such an amount, collected from the consumer under a statutory price formula, in the hands of a private association, in the disposal of which it can have little control. Further, the Department of Agriculture is already coordinating extension work of the same type being carried out by the State Governments and subsidising the same with Central grants to the extent deemed necessary. It would, therefore, be more appropriate for any additional Governmental assistance, derived from funds proposed to be collected from the public statutorily, to be channelised through State Governments than through private agencies, whose efforts can have little more than demonstration value.

The official efforts being made by the Government of India in conjunction with the State Governments in regard to groundnut extension programme have been made under the following main schemes:

(i) Centrally-sponsored scheme for maximised production of groundnut, which covered an area of 16 lakh hectares in 1970-71 in 17 States. The targetted coverage for 1971-72 is 22.25 lakh hectares.

(ii) State Package Programme on groundnut, which covered an area of 3.18 lakhs hectares in five States during 1970-71. The target for 1971-72 is 4.31 lakh hectares.

(iii) Double cropping of groundnut, particularly in irrigation project areas. An area of 3.89 lakh hectares was covered during 1970-71 whereas the target for 1971-72 is 4.83 lakh hectares.

The non-official efforts are being made mainly by the Vanaspati Manufacturers Association of India, which stated a groundnut extension programme in 1963, with the basic object of popularising known techniques for groundnut farming, through demonstrating on selected farms the fact of higher yields resulting from systematic application of inputs and proper agronomic practices, and making these facts known to as wide a circle of farmers as possible.

The area of 400 hectares covered in the year 1963 went up to 4,000 hectares in 1970 in 903 villages in 8 States. Since 1963, the Association has covered about 17,500 hectares spread over 2,145 villages in 14 States with an aggregate outlay of Rs. 15.07 lakhs."

2.61. The Committee note that for certain oilseeds there had been some break-through in producing hybrid varieties and some research is being made in respect of other oilseeds also. They would, however, like to recommend that concentrated and special effort should be made to achieve the much needed break-through in this field early.

G. Miscellaneous Matters

(a) Shortage of Rail Tank Wagons

2.62. It was brought to the notice of the Committee that "An insufficient number of railway tank wagons for the movement of vegetable oils, hampers production. Vanaspati production is concentrated in the North the largest vanaspati consuming zone, and in metropolitan areas like Calcutta and Bombay which are the other important vanaspati markets. They have to depend upon groundnut and other edible oils from distant oil producing centres in Gujarat, and South India. Currently the industry uses about one lakh tonnes of soybean oil a year which has to be moved from port towns. If relatively cheap soybean oil is not available to a factory for use as prescribed by Government it would have to use much costlier indigenous oil and suffer a heavy loss which may or may not be made good when the oil finally reaches it as indigenous oil prices fluctuate. Very often the industry has to move oil in drums and tins and by tank lorries at a much higher cost."

2.63. The representative of the Vanaspati Manufacturers Association of India stated, during evidence "The railways do not have enough tank wagons because they say it is a seasonal traffic and, therefore, they cannot utilise these tank wagons as fully as they want. In some cases they find it difficult to get even return freight, they say. Railways have not been anxious to increase the number of tank wagons service. But the industry has to move oil from producing centres to consuming centres somehow. So, we engage lorries which are expensive. But that is not reflected in the production cost fixed by Government".

2.64. The Director Traffic (Transportation), Ministry of Railways (Railway Board) stated during evidence "The movement of vegetable oil in tank wagons has a peculiar feature. First of all, there is not much storage at destination and this traffic being seasonal, the demands are also very seasonal. Therefore, if we are to build as big a wagon fleet as these seasonal demands would warrant, then we may have a large amount of idling during off-season. The wagons are being kept under load because of market fluctuations and then they try to secure a good price with the result the wagons are made into a kind of godown. On this account further wagons days are lost and therefore the availability of the wagons is affected. However, when the demand suddenly spurts up, we bring into commission some of the petrol tanks. But there is a limit to this because we cannot do it without affecting the demand in petroleum(s) and other lubricants.... We are trying to persuade the trade to create storage capacity so that they release the wagons immediately on arrival and also to book to consignees by name so that they could be contacted. We are also trying to augment our tank fleet and orders have been placed for additional tankers."

2.65. The Committee note that the Ministry of Railways (Railway Board) are trying to persuade the Vanaspati industry to create storage capacity so that they release the wagons immediately on arrival and also to book to consignees by name so that they could be contacted to expedite release of wagons. The Committee suggest that the Ministry of Railways should keep the matter under constant review and augment their tank fleet if the traffic warrants.

(b) *Shortage of Tinplates*

2.66. The Committee have been informed by a non-official organisation "Vanaspati is packed in tin containers of three sizes; 16.5 kg., 4 kg. and 2 kg. Recently Government have allowed the industry to pack vanaspati in High Density Polythene containers of 1 Kg. In the last three years strikes in tinplate producting plants and other production difficulties have led to frequent shortages of tinplate to the point where vanaspati production suffers for want of sufficient containers. In such situation the industry is compelled to pay scarcity prices for containers as there is no control on the prices of containers. Government, however, review packing cost of vanaspati only when the price of tinplate is revised by major producers. Since the packing cost is an important element in the margins allowed to the industry a significant increase in container costs causes great hardship. The recent break-down in the Rourkela plant has already led to a substantial rise in the cost of containers. The industry's request to Government to allow container costs on the basis of market prices has not been accepted. The alternative suggestion of allotting tinplate to the industry on the basis of its requirements so that it can get its containers fabricated at reasonable prices has also been not accepted."

2.67. Explaining the difficulty faced by the Vanaspati Industry in regard to tinplates, the representative of the Vanaspati Manufacturers Association of India stated "The price formula which government has evolved allows a certain price to the manufacturers as cost of the containers. That is the price at which the industry could obtain containers if the tinplates were freely available. But when there is scarcity of tinplate, the price of tin containers shoots up as a result of which the industry has to pay for these tin containers prices considerably larger than the prices allowed by the government under the price formula. In order to obviate this difficulty we have suggested that we should be allocated the quota we need for packing vanaspati which we can get fabricated. This suggestion has not yet been accepted by government."

2.68. The Joint Secretary (Department of Steel) stated during evidence "The capacity for production of ordinary tin plates in the country roughly matches the demand but towards the latter part of 1969 there was a long and prolonged strike in the Tin Plate Company of India, Jamshedpur which affected the supplies considerably. This had the effect of bringing in a climate of shortage for which apart from sanctioning certain imports, we had to ask the Iron and Steel Controller that even though this category was not under control either for price or distribution, he could call the producers together, also call some of the important consuming sectors in a Tin Plate Producers Committee and try to rationalise distribution to the extent possible. This was being done and things had started improving towards the beginning of this year, when unfortunately Rourkela's production went down. The net effect has been that the two major producers of tin plate have at one time or the other been seriously affected in production. In order to meet the situation caused by Rourkela we have again cleared some imports. We have also cleared import of material which Rourkela can process into tin plate so that as soon as Rourkela's production takes up momentum, we expect that the situation would improve. Till then the Controller is keeping a watch on the position. He is having meetings regularly with the producers as well as important consuming sectors to see that the distribution is reasonably rationalised."

2.69. In regard to a suggestion that tin plates may be allocated to the Vanaspati manfacturers to enable them to get the containers manufactured according to their requirements, the Joint Secretary (Department of Steel) stated "Our general policy, particularly regarding items of shortage, has been to allocate material to fabricators and not to the consumer of the fabricated product.... Those Vanaspati manufacturers who have got their own units, we give them as fabricators."

2.70. As a solution of the problem, the Secretary, Department of Food, suggested "the solution would clearly appear to be in encouraging more producers of Vanaspati to become fabricators. At the present moment, out of the 60 production units of Vanaspati, 26 manufacture or fabricate their own containers". The Joint Secretary (Department of Steel) assured the Committee that once the Government had recognised the fabricating capacity of the units, Department of Steel would have no objection to meet their requirements.

2.71. The Committee note that steps have already been taken by Government to meet the shortage of tinplates and that the Controller of Steel is having meetings regularly with the producers as well as important consuming sectors to see that the distribution in this regard is reasonably rationalised. They also note that as a matter of general policy, particularly regarding items of shortage, Government allocate material to fabricators and not to the consumers or customers of the fabricated product. They agree with the view that a solution of the problem would clearly appear to be that more producers of vanaspati become their own fabricators of containers so that the Department of Steel may have no objection to meet their requirements in this regard.

(c) *Colouring of Vanaspati*

2.72. The representative of the Vanaspati Manufacturers Association of India informed the Committee, during evidence, "Our main problem is that neither the industry nor any scientist or anybody else has been able to find a suitable colour for vanaspati which is (a) safe (b) not easily removable......There is difference between sweets which are not heated before use, and vanaspati which is used as a frying medium. If a colour happens to be a product which tends to degrade into something which is harmful, then it will present a hazard."

2.73. The Ministry of Agriculture (Department of Food) have informed the Committee, in a written not "Pursuant to the recommendations of the Expert Committee in this regard, greater reliance is now being placed on the latent colourisation of vanaspati with the use of sesame oil, through systematic checking of vanaspati samples, both at the manufacturer's and market stages, for checking the presence of the prescribed quantity of sesame oil, as reflected by conformity with the Baudouin Test Colour reading at the prescribed minimum level; and conversely, through systematic sampling of ghee sold in the market for checking its freedom from adulteration with vanaspati, as reflected by a negative Baudouin Test.

The provisions of the Prevention of Food Adulteration Act, 1954 were tightened in 1964, and deterrent punishment is now provided for violation thereof. The Ministry of Health has from time to time been addressing the enforcement agencies concerned and reminding them of the need to take requisite steps for a more vigorous enforcement of the said Act. A scheme for strengthening enforcement facilities in States is under consideration of the Planning Commission. A central unit has also been set up to guide and coordinate the activities of the State Governments in the enforcement of the Act|Rules; at the field level, this unit also includes a number of field-staff, stationed at Delhi and other cities where large food-processing units are located.

A constant effort is also being made to increase the quantity of ghee that is marketed under AGMARK but as the scheme is voluntary, some resistance is being encountered even from units in the public sector, *e.g.* Delhi Milk Scheme, in the matter of grading of ghee due to the increased costs involved (purchase of better quality ghee, administrative expenses for grading, container cost etc.). The Directorate of Marketing and Inspection has been trying to popularise the use of returnable glass bottles with special banderol AGMARK labels but, here again certain practical difficulties stand in the way of its wider acceptance including *inter-alia* the additional costs involved."

2.74 The Committee note that pursuant to the recommendations of the Expert Committee greater reliance is now being placed on the latent colourisation of Vanaspati with the use of sesame oil, through systematic checking of vanaspati samples, both at the manufacturer's and market stages. Besides, the provisions of the Prevention of Food Adulteration Act, 1954 have been tightened in 1964 and deterrent punishment is now provided for violation thereof.

CHAPTER III

DIRECTORATE OF SUGAR AND VANASPATI

3.1. The organisational set up of the Directorate is as follows:—The Secretary, Ministry of Agriculture (Department of Food) is in overall charge of the Directorate of Sugar and Vanaspati. There is one Joint Secretary (Sugar) to look after it. There is one Deputy Secretary (Sugar) at the Secretarial level. The Chief Director is the administrative head of the Directorate who looks after its day to day working. He is assisted by a Director (Sugar Control), Director (Vanaspati), Officer on Special Duty who is the Member-Secretary of the Management Board for the mismanaged factories, Cost Accounts Officer, Administrative Officer. There is one Additional Chief Director, assisted by a Director (Sugar Technical). The Directorate consists of a number of sections to look after the various matters relating to Sugar and Vanaspati.

3.2. It was stated by a non-official organisation "We feel that no useful purpose is being served by having a separate Directorate for dealing with Sugar and Vanaspati. All policy decisions, we understand, are taken in the Department of Food. In the circumstances, it would be desirable to merge the Directorate with the Department of Food. This will avoid, to some extent, delays as also would result in some saving in expenditure."

3.3. The Committee have been informed by the Ministry of Agriculture (Department of Food), in a written note "According to the allocation of business, Ministries/Departments lay down the policy and the attached offices function as a repositary of technical information and execute that policy. As far as Sugar and Vanaspati are concerned, the Department of Food and the Directorate of Sugar and Vanaspati already function in close association with each other, and even if the Directorate is merged in the Department of Food, it is not likely to further speed up the decision and|or their execution. There could, of course, be a marginal saving of expenditure on house-keeping jobs by such merger. Sugar Policy Section of the Directorate of Sugar and Vanaspati has already been transferred to the Department of Food in 1969."

3.4. The Committee have also been informed by the Ministry that the Staff Inspection Unit of the Department of Food made a study of the world load *vis-a-vis* staff position in the Directorate of Sugar and Vanaspati in the year 1964 and that the distribution of Officers, Staff and their work into various sections had been reorganised in 1965 on the basis of the recommendations of the Unit. The Committee desired to know as to what was the result of this reorganisation and they have been informed that the recommendations of the Staff Inspection Unit which were implemented in 1965 generally resulted in a reduction of the Staff strength in different sections of the Directorate. The work of the Directorate had, however, been increasing since then.

3.5. The Committee note the views of Government that the merger of the Directorate of Sugar and Vanaspati with the Department of Food may not further speed up the decisions and/or their execution but there could, of course, be a marginal saving of expenditure on house-keeping jobs by such merger. Besides, the Staff Inspection Unit had made a study of the work load vis-a-vis staff position in the Directorate in 1964 and the implementation of the recommendations of the Staff Inspection Unit which were implemented in 1965 generally resulted in a reduction of the staff strength in different sections of the Directorate. The Committee need hardly stress the utility and necessity of the work study vis-a-vis staff strength afresh to lay down norms and quantum of output of work expected of every person so that there may be some economy, if possible, and improvement in efficiency at various levels.

NEW DELHI;
April 7th, 1972.
Chaitra 18*th*, 1894 (*Saka*).

KAMAL NATH TEWARI,
Chairman,
Estimates Committee.

APPENDIX I

[*Vide* Para 1.130]

Measures taken by Railways to minimise the thefts and pilferages in transits

(i) Proper riveting and E.P. Locking of wagons carrying valuable goods so as to prevent wagon breaking;

(ii) Escorting of goods train by Railway Protection Force armed personnel in vulnerable sections;

(iii) Patrolling by armed Railway Protection Force personnel as also by Railway Protection Force Dog Squads in vulnerable and major yards;

(iv) Collection of crime intelligence and conducting of surprise raids by the staff of the crime Intelligence Branch of Railways as well as the Central Crime Bureau, Railway Board, with a view to tracking down criminals and receivers of stolen railway property under the Railway Property (Un-lawful Possession) Act, 1966;

(v) Maintenance of close coordination between Railway Protection Force, Government Railway Police and State Police Officers to deal with Criminals and Receivers of stolen properties;

(vi) shadowing of trains/wagons loaded with food-grains, sugar, oil seeds etc., by Railway Protection Force Staff in order to detect the *modus operandi* of crimes and the areas where they are common and to arrest the criminals;

(vii) insistence on provision of dunnage to protect flap doors;

(viii) proper marking and addressing of packages to avoid their going astray;

(ix) proper labelling of wagons to avoid misdespatches and to prevent them from becoming unconnected;

(x) emphasis on correct documentation and securing relevant documents with wagons;

(xi) proper supervision and careful tallying of packages during loading and unloading;

(xii) proper handling of goods at forwarding, destination and transhipment points;

(xiii) patching of panel-holes of wagons not only in sick lines but also in yards and goods-shed so that goods are not pilfered through holes, and rain water cannot seap in;

(xiv) intensification of surprise checks to detect cases of short loadings and other irregularities and mal-practices;

(xv) regular analysis of damage and deficiency messages issued by and received at stations;

(xvi) prompt fixation of staff responsibility in larger number of claims and giving of exemplary punishment in selected cases

APPENDIX II

Summary of Recommendations|Conclusions

S. No.	Reference to Para No. of the Report	Summary of Recommendation/Conclusions
(1)	(2)	(3)
1	1.6	The Committee note with concern that sugar production has not kept a steady pace but has been maintaining a trend of rise and fall during the last ten years, on account of which the Government have been revising their sugar policy from year to year by putting it under control, semi-control and de-control. This indicates that there is no long range policy in the matter of sugar production which may be adequate to meet fully the internal demand and export requirements. The Committee are unable to understand how the Government have been following so far an *ad hoc* policy on year to year basis. They feel that this matter has been pending for a long time and the question of formulation of a long range policy keeping in view the future internal demand of sugar and also our sugar export commitments, does not brooke any further delay. They also feel that the anomaly of fluctuations will not be solved unless the sugarcane growers get a remunerative price for the cane.
2	1.18	The Committee note that the present target of the Fourth Plan for sugar production is 47 lakh tonnes a year and to achieve this target of production necessary additional capacity as well as expansion in the existing units has been licensed from time to time. The licensed capacity

(1)	(2)	(3)
		at the present moment is 52 lakh tonnes of which 37.5 lakh tonnes have been established upto the season of 170-71. The Committee also note that at the end of the Fourth Plan, the installed capacity is likely to be of the order of 45 to 47 lakh tonnes.
3	1.19	The Committee agree with the view that the requirement of sugar for internal consumption is expected to rise considerably by the end of the Fifth Plan period for which planning on a long term basis should be made from now onwards. In view of the usual lag between licensing and establishment of capacity, licensing may have to be done for the higher target. Licensing can be purposeful only if the economic size of a sugar factory is determined and uneconomic units are expanded to become economic and for the balance of the capacity, new units are licenced. The Committee have no doubt that Government will keep in view the fact that the sugar producing States will be self-sufficient to avoid cross movement of sugar. They also note that while it is proposed to give new licences to establish sugar factories they have not come across any plan for corresponding increase in sugarcane production to match the installed capacity. On the other hand, the figures placed before the Committee show decline in sugarcane acreage.
4	1.20	The Committee also feel that a proper technical examination of each application for a new unit and for expansion of the capacity of an existing unit is called for and for this purpose the feasibility of a well-equipped cell for consultancy service is necessary. The Committee need hardly stress that continuous attention should be paid to modernisation of sugar mills in the interest of efficiency and reduction in the cost of production.

(1)	(2)	(3)
5	1.36	The Committee feel that the sugar was actually produced in the fields and the factories only extracted it. The real producers of sugar were the cane growers. The cane crop was a long-term commitment for the grower who in all fairness deserved a remunerative return for his produce. In years of short cane crop, there is invariably large scale diversion of cane from sugar factory areas to gur and khandsaris who offer higher cane prices resulting in low production of sugar. The Committee note that while prices of every commodity have risen, the sugarcane price continues to remain the same. The Tariff Commission (1959), the Sen Commission (1965) and the Talwar Committee (1970) examined the question of premium in depth and all have come to the same conclusion that the premium for better recoveries should be fixed on the basis of proportionality and that the Government of India have not accepted this principle. They also note that the decline in the total sugarcane area is 3.9 per cent but the area near the sugar factories is 7 per cent. Besides, there was also increased incidence of pests in some sugarcane areas. With a view, therefore, to maintain steady production of sugar, the Committee feel that it is essential that the factories get sufficient supply of cane to produce the necessary quantity of sugar which is possible only when the cane grower gets a remunerative price of his cane.
6	1.37	The Committee are convinced that the internal demand of sugar is going to be quite high in times to come and, therefore, it is imperative that a realistic assessment is made of both the internal and the export requirements of sugar and in the light thereof Plan targets are fixed.
7	1.38	In regard to distribution of sugar, the Committee would like to recommend that every possible step should be taken to see that sugar rea-

(1)	(2)	(3)
		ches, in adequate quantity and in time, the remotest corners of the country in villages by ensuring monthly releases in time and availability of wagons etc. and that it is available at all places at reasonable prices.
8	1.39	The Committee have noted that big farms in certain States have been taken over by State Governments and that they are still maintained in tact and have not been broken up and are still growing sugarcane. The Committee hope that with the imposition of land ceilings, in some States, it would be ensured that there is no decline in sugarcane production.
9	1.40	The Committee note that both the Sugar Enquiry Commission (1964) and the Tariff Commission (1969) suggested the possibility of extending the idea of buffer stock to gur also. The Tariff Commission observed that Government should start purchasing gur when its price falls below the floor price. It has not been found feasible for Government to implement any scheme for fixation of support price for gur and operation of its buffer stock, as it has not been possible to evolve a cheap and effective method for storage of gur without deterioration. The Committee suggest that National. Sugar Institute, Kanpur should intensify its experiments in order to evolve a suitable technique for storing gur without its suffering any deterioration during storage.
10	1.59	The Committee feel that the price of sugar cannot be considered in isolation but has naturally to be linked with its cost of production and the general price trend of other commodities in the country. They agree with the view that there is dissatisfaction amongst the canegrowers as they are not getting proper return commensurate with the high investment made in the

(1)	(2)	(3)
		cultivation of sugarcane. As a result, the land is diverted from cane to other crops. Besides, the regular supply of cane to the sugar factories is also affected because of higher price of cane being paid by the gur and khandsaris. The Committee note the Government's contention that if the minimum price of sugarcane is raised, it will set up a spiral of higher prices not only in sugar but in other commodities also, but they nevertheless feel, to keep stability in the sugar economy, Government should fix a remunerative price for the sugarcane which only would guard against diversion of area under sugarcane to other crops thereby removing the grievance of the grower that he has been getting a raw deal.
11	1.60	The Committee fail to understand as to why Government have not been able to collect data inspite of the recommendation made by the Committee in this connection in para 19 of their Hundred and Twenty-seventh Report (Second Lok Sabha) to the effect that an assessment of the cost of production of sugarcane should be made early in order to fix the minimum price of sugarcane to be paid to the producers which was accepted also by the Government. They fail to understand as to how in the absence of any reliable data the Government have been, so far, fixing the minimum price of sugarcane. The Committee, however, note that Government have since launched a scheme to collect such a data which is expected to be available in about a year's time.
12	1.61	The Committee would also like Government to examine the suggestion to make coordinated arrangements for the supply of sugarcane in a particular area both for the purpose of 'gur and khandsari' and 'sugar' whereby fluctuations in regard to the price of sugarcane from year to year resulting in large production in a particular

(1)	(2)	(3)
		year followed by less production next year, could be avoided.
13	1.62	As regards the arrears of cane prices the Committee agree with the view that it is highly deplorable that there should be any arrears of payment of cane prices, at all. They do not see any reason as to why, when a raw material is purchased, its price should not be paid promptly. They would like to recommend that some deterrent action should be taken against the defaulting factories to save the interests of the poor canegrowers.
14	1.63	The Committee note that an arrangement has now been made with the Reserve Bank of India of maintaining a separate account when they make advances to sugar factories for sugar-cane only, which is to be utilised for the purchase of sugar-cane. Government may ensure that the progress of payment to the sugarcane growers is watched by the banks from week to week during the crushing season and twice a month during the rest of the season so that the arrears do not accumulate. Some States have also taken measures for recovery of sugar cane arrears as recovery of land revenue but the State Governments are not very rigidly enforcing it. The Committee would like Government of India to ensure that these measures are enforced rigidly so that the present arrears are liquidated early and there are no arrears in future.
15	1.64	They also recommend that the difficulty of factories in getting loans from Banks against their sugar stocks may also be looked into so that they are in a position to meet at least their liabilities of cane growers and factory workers promptly.
16	1.75	The Committee are unhappy to note that a valuable by-product like molasses has not receiv-

(1)	(2)	(3)
		ed due attention in regard to the storage facilities and fixing of price. They, however, note that the price of molasses has recently been increased by Government from 67 P. to Re. 1 per quintal for purposes of industrial as well as potable alcohol. In view of the fact that potable alcohol manufactured from molasses fetches a considerable high price, the Committee suggest that the sale of molasses for industrial alcohol may be fixed at a controlled price and that for potable alcohol may be allowed to be sold at free open market price. They also suggest that the quantum of release of molasses for both these purposes may be fixed at a suitable ratio keeping in view the requirement of alcohol for industrial purposes in the country.
17	1.76	In view of the fact that the Department of Food are responsible for sugar industry as a whole and molasses are only a by-product of sugar processing, the Committee strongly feel that it will be more rational to transfer the control over molasses from the Ministry of Petroleum and Chemicals to the Department of Food.
18	1.81	The Committee note that licences to 11 industrial undertakings for the manufacture of paper etc. had been issued and all of them had to be revoked later on as none of them could establish the factory for the manufacture of paper based on bagasse. The Committee would like Government to find out the causes for this failure so that some remedial measures could be taken to help the industries to manufacture paper etc. from bagasse.
19	1.82	The Committee hope that the Sangli Cooperative Sugar Factory who have recently been given licence for manufacture of newsprint and paper from bagasse would succeed in establishing the venture and that their example would be emu-

(1)	(2)	(3)
		lated by others. The Committee would like Government to encourage manufacture of paper out of bagasse for it would solve two problems, namely, paucity of paper and putting the discarded bagasse to productive use.
20	1.85	The Committee would like the National Sugar Institute, Kanpur to undertake intensive research to help the sugar industry to make better use of the Press-mud in manufacturing high quality cane wax which could be put in the market on commercial basis on a competitive price.
21	1.96	The Committee agree with the view that all the sugar importing countries *viz.*, U.S.A., U.K., Canada and Japan are highly developed and would not like to make irregular purchases from countries which are not regular and dependable suppliers. As such, India should take all possible steps to maintain its exports and to the extent possible increase the exports in the long term interests of the sugar cane growers and sugar industry. The International Sugar Agreement in valid upto 1973 and efforts to get an increase in India's Basic Export Quota should be made from now onwards. The Committee also note that with the decision of Britain to join the E.E.C. next year the quantum of India's exports to E.E.C. would be a matter of fresh negotiation and agreement with the enlarged Community in the light of assurances given by them to Developing Commonwealth Sugar Exporting Countries, and hope that it would be possible to secure through persistent efforts as large a quota as possible for export of sugar from India.
22	1.101	The Committee note that the National Sugar Institute, Kanpur is functioning as a research institute at national level. As the sugar Industry feels that a similar Institute in the South will

(1)	(2)	(3)
		be beneficial, Government may consider the feasibility of opening a research Institute in the South or at least help the Cooperative Sector to set up such a Institution.
23	1.110	The Committee agree with the view that irrigation plays a very important part in the production of sugar-cane but it is beyond the reach of the poor grower and that this vital facility has to be and should be provided by the State Governmnts concerned. The Committee regret to note that practically all the State Governments collect money by way of tax on sugar and sugarcane but do not spend even a fraction of that on the development work of sugarcane. In regard to supervision by the Centre over the sugarcane development work in the States, the Committee note that the Sugarcane Development Directorate in the Ministry of Agriculture is exercising supervision over the activities of the State Agencies but do not appreciate the line of thinking on the part of some State Agencies that taxes on sugar and sugarcane should be treated as yet another source of revenue and not much need be spent by them on sugar-cane development programmes. They, therefore, strongly urge upon the Government of India to take up this matter at a high level with all the State Governments concerned and persuade them to take interest in the developmental activities of sugarcane which will ultimatly be to their own economic advantage and add to them prosperity.
24	1.111	The Committee are of the view that the most effective way of tackling the chronic problem of sugar factories in U.P., Haryana, Punjab, Bihar etc. is to develop and encourage cultivation of sugarcane of improved varities which is high yielding and is disease resistant. The Committee would like Indian Council of Agricultural Research, the Sugarcane growing Research Insti-

(1)	(2)	(3)
		tute, the State Agricultural Departments, and Agricultural Universities concerned to re-double their efforts to develop the requisite variety without delay and after extensive field trials publicise the results and make available seeds of guaranteed quality at reasonable rates to sugar-cane growers in the interest of stepping up sugar production and fetching higher prices for sugarcane growers. They also suggest that Government may consider the feasibility of establishing a sugarcane breeding Centre for Northern India on the pattern of the resarch Centre at Coimbatore.
25	1.112	The Committee note that the Indian Council of Agricultural Research is seized of the problem of organising seed protection programme to eradicate diseases and increase the span of varieties. The Committee feel that expeditious action in this regard is called for as the production of cane cannot increase without healthy seed of improved and lasting varieties.
26	1.113	The Committee also note that in respect of good varieties, the availability of seed is limited. The Committee feel that it should be ensured that there are adequate number of seed nurseries near about sugarcane fields for supplying disease-free and nutrient-rich seed to the growers.
27	1.114	The Committee would also like Government to examine as to how the poor sugarcane grower can get loan from Banks etc. for purchasing fertilizers, seeds etc. in time and in sufficient quantity.
28	1.118	The Committee note that sugar beet cultivation has been taken up in the Ganganagar Sugar Factory area in 1970-71 and that it will be processed for the first time in April-May, 1972. They hope

(1)	(2)	(3)
		that with this experiment a new avenue will be opened to provide additional raw material to the factories to produce more sugar. The Committee would like Government to keenly watch the result of experiment and if it is found viable and successful, to encourage cultivation of beet on a large scale in the vicinity of sugarcane factories.
29	1.121	The Committee are unhappy to note that pests and diseases continue to cause damage to the cane crops resulting in lower recovery and also less of crop in many cases. They would like the Government to impress upon the Indian Council of Agricultural Research, the Agricultural Universities and the National Laboratories to allow high priority and intensify their research in order to evolve measures to check this menacing problem. The Committee would like Government to take effective measures to ensure that sugarcane seeds which are suseptible to disease are not transferred from one affected area or State to another.
30	1.124	The Committee note the various natural causes for the dislocations of railway traffic and the remedial measures that are taken by the Railways to remove them. They need, however, hardly stress the necessity of making sufficient number of wagons available in time for the movement of sugar from the producing areas to far flung areas all over the country so that the sugar is available on assured basis in all parts of the country.
31	1.181	The Committee are perturbed to note that in some cases in eastern India trains are held up and wagons looted and in many cases the wagon panels have been cut. This has been particularly so in respect of foodgrains, sugar and other

(1)	(2)	(3)
		bagged consignments. The situation regarding the number of claims paid by the individual Zonal Railways during 1970-71 on account of thefts and pilferages of sugar consignments is 14,612, the amount claimed in sugar claims pending on 1st November 1971 is Rs. 78,30,019. The total freight earnings and amount of compensation paid in respect of sugar during 1970-71 is Rs. 7,14,70,000 and Rs. 1,05,64,000, respectively which indicates a very unsatisfactory situation.
32	1.132	The Committee while noting that the Railways have already taken some measures to minimise thefts and pilferages in transit, would strongly urge upon Government to take some drastic measures to check such incidents specially in the Eastern, South Eastern, Western and North East Frontier Railways where the amount of claims is very high.
33	1.137	The Committee agree with the view that the non-availability of steel affected the installation of new sugar factories as well as expansion of the existing capacity which ultimately affected the production of sugar for internal consumption as also for export purposes. The Committee would like Government to ensure that genuine requirements for manufacture of sugar cane machinery as per plan commitments are met in time and in full.
34	1.139	The Committee hope that the Government will ensure that in future sugar factories would, in the first instance, not charge more than the authorised amount as earnest money.
35	1.152	The Committee note that the future of the sugar industry has been engaging the attention of Members of Parliament who are anxious that the cane grower should get a remunerative price for his produce, the factories should operate smoothly and the consumer also get sugar at a reasonable price and that to achieve this goal it is

(1)	(2)	(3)
		imperative that the present uncertainty in this industry must end as early as possible. They also note that Government have not so far formulated any final views in this regard and that they are awaiting the report of the Sugar Industry Enquiry Commission which is looking into all the aspects of this industry including the development and working of the Cooperative Sector. The Committee, however, hope that the report of the Sugar Industry Enquiry Commission would become available to the Government expeditiously to enable them to take early decision in the matter.
36	2.7	The Committee note that at present there is a large excess in installed capacity in the Vanaspati Industry as compared with actual requirement and according to Government expectation at the end of the Fifth Plan the capacity requirement is expected to rise to the level of the present installed capacity. They feel that if any market survey had been undertaken, this situation could have been avoided and the huge investment made which is now lying in the shape of idle capacity, could have been utilised purposefully. The Committee suggest that further licensing should be stopped immediately except in backward areas and proper planning should be done before new capacity is created to meet the future requirements of Vanaspati in the country. They also recommend that vanaspati industry may be encouraged to diversify their idle capacity *inter alia* to produce hardened oil used for manufacture of soap. They would also like Government to have this matter examined by an expert Committee which may also have representatives of the Directorate General, Technical Development and the Ministry of Industrial Development as to how best the idle capacity could be utilised.

(1)	(2)	(3)
37	2.15	The Committee note that the Vanaspati is the single largest processed food industry in the country after sugar and that the Sixties have seen the virtual disappearance of public prejudice towards Vanaspati—a prejudice common to all substitutes to traditional items.
38	2.16	The Committee, however, are constrained to note that occasional scarcity in the availability of Vanaspati arises and the people are not able to get the requisite quantity at reasonable rates. They, therefore suggest that Government may examine the reasons for scarcity in detail and formulate a scheme whereby adequate quantity of Vanaspati is available in the market at all times to the consumers.
39	2.17	The Committee have received some complaints that the consumers, particularly the weaker sections, who want to purchase Vanaspati in small quantities are not assured of full weight and contamination and adulteration free Vanaspati. With a view to protect such consumers from such mal-practices, research should be undertaken to evolve suitable and economical packings of Vanaspati.
40	2.40	The Committee agree with the view that oilseeds production has not kept pace with the increase in demand and there was a shortage of 2 lakh tonnes of oil and that the industrial demand for this commodity has been rising as the production of vanaspati, soap etc., is steadily increasing. With growing self-sufficiency of cereals, demand for supplementary foods like fats is expected to rise faster in future. They also agree with the view that oilseeds have seen no agronomic breakthrough and it had been a retarding factor in the growth of oil production.

(1)	(2)	(3)
41	2.41	The Commiteee note that in view of the shortage of oilseeds and oils, their exports have been restricted by Government for the past several years. During 1970-71 exports of groundnut oil, raw and refined, were allowed within the combined ceiling of 200 tonnes which is stated to be a negligible figure having regard to the fact that in 1963-64, our exports of this oil had touched nearby 1 lakh tonnes. The Committee also note that as a long-term solution to this problem, efforts are being made by Government to maximise indigenous production of edible oils, particularly groundnut as also to develop new crops like soyabean, sunflower and oil palm. Steps are also being taken to encourage increased crushing of cottonseed and rice bran, and consumption of the oils so obtained by Vanaspati factories to a larger extent.
42	2.42	The Committee also note that the use of edible groundnut oil in the manufacture of soap is being actively discouraged and that according to the Directorate General, Technical Development which is looking after soap industry, this oil is not being used by the organised sector of the soap industry. Efforts are presently being made to step up the production of cottonseed oil at a still faster rate than in the past and to encourage its use in the manufacture of vanaspati at still higher levels than hitherto, so as to do without further imports of soyabean oil supplies of which, from the USA, have in any case been stopped at present.
43	2.43	The Committee recommend that a crash programme should be drawn up to have an agronomic break-through in the production of oil seeds and development of new crops like soyabean, sun-flower and oil palm. Simultaneously production of cotton seed oil should be stepped up

(1)	(2)	(3)
		and its use in the manufacture of Vanaspati ensured.
44	2.49	The Committee note that the Report of the Tariff Commission has been submitted to the Government on the 3rd March, 1971 and the report is under consideration of Government. The Committee feel that Government should not take such a long time to take decision in this regard and they suggest that the decision may be expedited.
45	2.54	The Committee note that India has been virtually cut off from the export market ever since July, 1964 when exports were banned and later allowed on restricted basis in the context of the oil shortage prevailing in the country and that during this period capacity/additional capacity is understood to have been built up in many of the importing countries. The Committee would, however, like Government to examine this matter in a greater detail so as to export more Vanaspati, with a view to utilise fully the existing capacity of the factories producing Vanaspati.
46	2.61	The Committee note that for certain oilseeds there had been some break-through in producing hybrid varieties and some research is being made in respect of other oilseeds also. They would, however, like to recommend that concentrated and special effort should be made to achieve the much needed break-through in this field early.
47	2.65	The Committee note that the Ministry of Railways (Railway Board) are trying to persuade the Vanaspati industry to create storage capacity so that they could be contacted to expedite re-arrival and also to book to consignees by name so that they release the wagons immediately on lease of wagons. The Committee suggest that the Ministry of Railways should keep the matter

(1)	(2)	(3)
		under constant review and augment their tank fleet if the traffic warrants.
48	2.71	The Committee note that steps have already been taken by Government to meet the shortage of tinplates and that the Controller of Steel is having meetings regularly with the producers as well as important consuming sectors to see that the distribution in this regard is reasonably rationalised. They also note that as a matter of general policy, particularly regarding items of shortage, Government allocate material to fabricators and not to the consumers or customers of the fabricated product. They agree with the view that a solution of the problem would clearly appear to be that more producers of vanaspati become their own fabricators of containers so that the Department of Steel may have no objection to meet their requirements in this regard.
49	2.74	The Committee note that pursuant to the recommendations of the Expert Committee greater reliance is now being placed on the latent colourisation of Vanaspati with the use of sesame oil, through systematic checking of vanaspati samples, both at the manufacturer's and market stages. Besides, the provisions of the Prevention of Food Adulteration Act, 1954 have been tightened in 1964 and deterrent punishment is now provided for violation thereof.
50	3.5	The Committee note the views of Government that the merger of the Directorate of Sugar and Vanaspati with the Department of Food may not further speed up the decisions and/or their execution but there could, of course, be a marginal saving of expenditure on house-keeping jobs by such merger. Besides, the Staff Inspection Unit had made a study of the work load *vis-a-vis* staff

(1)	(2)	(3)
		position in the Directorate in 1964 and the implementation of the recommendations of the Staff Inspection Unit which were implemented in 1965 generally resulted in a reduction of the staff strength in different sections of the Directorate. The Committee need hardly stress the utility and necessity of the work study *vis-a-vis* staff strength afresh to lay down norms and quantum of output of work expected of every person so that there may be some economy, if possible, and improvement in efficiency at various levels.

APPENDIX III

(*Vide* — Introduction)

Analysis of Recommendations /Conclusions contained in the Report.

I. Classification of Recommendations

A. Recommendations for improving the Organisations and Working :—

S. Nos. 4, 7, 12, 14, 15, 17 and 27.

B. Recommendations for effecting economy :—

S. No. 50.

C. Miscellaneous Recommendations :—

S. Nos. 1, 2, 3, 5, 6, 8, 9, 10, 11, 13, 16, 18, 19 20, 21, 22, 23, 24, 25, 26, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48 and 49.

II. Analysis of Recommendations directed towards economy.

Sl. No.	S. No. as per Summary of Recommendations— (Appendix—II)	Particulars
1	2	3
1	50	The merger of the Directorate of Sugar and Vanaspati with the Department of Food may result in some saving of expenditure on house-keeping jobs.

GMGIPND—LS II—3446 LS—14-4-72—1200.