



**STANDING COMMITTEE ON  
CHEMICALS & FERTILIZERS  
(2011-12)**

**FIFTEENTH LOK SABHA**

**MINISTRY OF CHEMICALS AND FERTILIZERS  
(DEPARTMENT OF CHEMICALS AND  
PETROCHEMICALS)**

**PRODUCTION, PRICING AND  
DISTRIBUTION OF MOLASSES**

*[Action Taken by the Government on the Observations/Recommendations contained in the Thirteenth Report of the Standing Committee on Chemicals and Fertilizers (Fifteenth Lok Sabha) on Production, Pricing and Distribution of Molasses of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals)]*



**TWENTY FIRST REPORT**

**LOK SABHA SECRETARIAT  
NEW DELHI**

**March, 2012/Phalguna, 1933 (Saka)**

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CHEMICALS AND FERTILIZERS  
(2011-12)****FIFTEENTH LOK SABHA****MINISTRY OF CHEMICALS AND FERTILIZERS  
(DEPARTMENT OF CHEMICALS AND PETROCHEMICALS)****PRODUCTION, PRICING AND  
DISTRIBUTION OF MOLASSES**

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*Presented to Lok Sabha on 15.03.2012*

*Laid in Rajya Sabha on 15.03.2012*

**LOK SABHA SECRETARIAT  
NEW DELHI*****March, 2012/Phalguna, 1933 (Saka)***

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**COMPOSITION OF THE STANDING COMMITTEE ON  
CHEMICALS & FERTILIZERS (2011-12)**

<b>Shri Gopinath Munde - Chairman</b>	
<b>MEMBERS</b>	
<b>LOK SABHA</b>	
2.	Shri Prabhatsinh Pratapsinh Chauhan
3.	Shri K. D. Deshmukh
4.	Smt. Paramjit Kaur Gulshan
5.	Shri Yashbant N.S. Laguri
6.	Shri Baidya Nath Prasad Mahato
7.	Shri Sakti Mohan Malik
8.	Shri O.S. Manian
9.	Shri Kamlesh Paswan
10.	Shri N. Peethambara Kurup
11.	Shri Ponnam Prabhakar
12.	Shri Ashok Kumar Rawat
13.	Shri Sivakumar alias Ritheesh
14.	Shri Tufani Saroj
15.	Shri Suresh Kumar Shetkar
16.	Shri Raju Shetti
17.	Shri Adagooru Viswanath
18.	Shri Om Prakash Yadav
19.	Vacant
20.	Vacant
21.	Vacant
<b>RAJYA SABHA</b>	
22.	Shri Biswajit Daimary
23.	Shrimati Naznin Faruque
24.	Shri A.A. Jinnah
25.	Shri Brijlal Khabri
26.	Shri Parshottam Khodabhai Rupala
27.	Prof. Anil Kumar Sahani
28.	Shri Raghunandan Sharma
29.	Dr. C.P. Thakur
30. &	Shri Dilipbhai Pandya
31. #	Vacant

**SECRETARIAT**

- |                               |   |                     |
|-------------------------------|---|---------------------|
| 1. Shri C.S.Joon              | - | Joint Secretary     |
| 2. Shri Anil Kumar Srivastava | - | Additional Director |
| 3. Smt. Emma C. Barwa         | - | Under Secretary     |
| 4. Shri Ajit Kumar Sahu       | - | Committee Officer   |

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& Nominated w.e.f. 17.09.2011.

# Vacancy arisen due to demise of Shri Silvius Condpan, MP (RS) w.e.f. 10 October 2011

## INTRODUCTION

I, the Chairman, Standing Committee on Chemicals and Fertilizers (2011-12) having been authorised by the Committee to present the Report on their behalf present this Twenty First Report (Fifteenth Lok Sabha) on Action Taken by the Government on the observations / recommendations contained in the Thirteenth Report (Fifteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers (2011-12) on 'Production, Pricing and Distribution of Molasses' of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals).

2. The Thirteenth Report (Fifteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers was presented to Lok Sabha on 08 December, 2010. The Action Taken Replies of Government to all observations / recommendations contained in the Report were received on 07 March, 2011. The Standing Committee on Chemicals and Fertilizers (2011-12) considered and adopted this Report at their sitting held on 05 March 2012.

3. An analysis of the Action Taken by the Government on the observations/ recommendations contained in the Thirteenth Report (Fifteenth Lok Sabha) of the Committee is given in Appendix-II.

4. For facility of reference and convenience, the observations / recommendations of the Committee have been printed in bold letters in the body of the Report.

**New Delhi;**  
**13<sup>th</sup> March, 2012**  
**23 Phalguna, 1933 (Saka)**

**Gopinath Munde**  
**Chairman,**  
**Standing Committee on**  
**Chemicals and Fertilizers**

## REPORT

### CHAPTER – I

This Report of the Standing Committee on Chemicals and Fertilizers deals with the action taken by the Government on the Observations / Recommendations contained in the Thirteenth Report (Fifteenth Lok Sabha) of the Committee (2010-11) on 'Production, Pricing and Distribution of Molasses' which was presented to Lok Sabha on 08.12.2010. The Report contained six Observations / Recommendations.

2. The Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) were requested to furnish replies to the Observations/ Recommendations contained in the Thirteenth Report within three months from the date of presentation of the Report, i.e. by 8 March 2011. The Action Taken Replies of the Government in respect of all the 6 Observations / Recommendations contained in the Report have been received from the Ministry of Chemicals and Fertilizers, Department of Chemicals and Petrochemicals on 7 March 2011. These have been categorized as follows:-

- (i) Observations / Recommendations which have been accepted by the Government:-  
Sl. Nos. 47, 49, 52 (Total=3)  
These may be included in Chapter II of the Draft Report.
- (ii) Observations / Recommendations which the Committee do not desire to pursue in view of the Government's reply:-  
Sl. No. Nil (Total=0)
- (iii) Observations / Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:-  
Sl. Nos. 50, 51 (Total=2)  
These may be included in Chapter IV of the Draft Report.
- (iv) Observations / Recommendations in respect of which final replies of the Government are of interim nature:-  
Sl. Nos. 48 (Total=1)  
This may be included in Chapter V of the Draft Report.

**3. The Committee desire that the Action Taken Notes on the Observations/ Recommendations contained in Chapter-I of this Report be furnished expeditiously.**

4. The Committee will now deal with action taken by the Government on some of their Observations/Recommendations which still require reiteration or merit comments.

## **A. NEED FOR ROBUST GROWTH OF SUGARCANE**

### **(Recommendation Para No. 47)**

5. The Committee in their Report had noted that molasses is the by-product of sugar and as such the production of molasses is dependent upon the production of sugarcane/sugar. The Committee noted that though the growth rate index of area under sugarcane cultivation had increased significantly during the period 2001-2008, the growth in yield has not been commensurate with the same. According to the Department of Chemicals and Petrochemicals, the production of sugarcane has shown fluctuating trend over the period. This is evident from the available statistics which indicate that sugarcane production in the year 2004-05 was 237.1 Million MT, 348.2 Million MT in 2007-08 and 273.9 Million MT in 2008-09. Although the targeted production of sugarcane for 2009-10 was 396 Million MT, the actual production as per advance estimate was 277.75 Million MT. The Department of Chemicals and Petrochemicals had attributed the fluctuation in production of sugarcane to the adverse climatic conditions, decrease in sugarcane area, reduction in productivity, delayed and intermittent cane price payment, better price realization by the farmers from wheat and rice cultivation, diversion of cane towards gur, etc.

Further, the Committee had observed that sugarcane production was not in consonance with the increase in area under cultivation during the earlier years and in the year 2009-10, the area under sugarcane cultivation had declined by 1.94 lakh hectare than that of previous year area coverage of 43.96 lakh hectare. This, in consequence, had further led to decline in sugarcane production by almost 30 per cent of targeted production of 396 Million MT. Expressing their concern on the fluctuating trend of sugarcane production which, in turn, has affected the production of the molasses, the Committee had felt that there was an urgent need to ensure the satisfactory availability of sugarcane every year. As the sugarcane production falls within the domain of the Ministry of Agriculture, the Committee had desired that the Department of Chemicals and Petrochemicals should coordinate with the Ministry of Agriculture to chalk out ways and means for sustained growth of sugarcane production. In this regard, the Committee recommended the Department to impress upon the Ministry of Agriculture the need for taking suitable steps, viz. fixation of Minimum Support Price (MSP) for sugar making it lucrative vis-a-vis MSP of wheat and rice, incentives to farmers for producing sugarcane, compensation to farmers in case of glut of sugar, etc. to encourage sugarcane cultivators. The Committee had desired to be apprised of the steps taken in this direction within three months of presentation of the Report.

6. The Department of Chemicals and Petrochemicals, in their Action Taken Reply have stated as under:-

“The matter has been taken up with the Department of Agriculture & Cooperation in the Ministry of Agriculture requesting them to take necessary action in the matter and inform this Department of the action taken. Department of Agriculture & Cooperation informed that it is evident from the trial data that there is a plenty of scope for enhancing productivity of sugarcane crop. With the existing sugarcane area (ranging from 42 to 50 lakh ha), sufficient quantity of sugarcane can be produced by increasing the level of sugarcane yield through various technologies and interventions.”

[Ministry of Chemicals & Fertilizers  
(Department of Chemicals and Petrochemicals)  
O.M. No.15021/3/2009-M Dated 7.3.2011]

### **Comments of the Committee**

7. The Committee had recommended that there is a need to ensure a sustained increase in sugarcane production so that production of molasses, which is a by-product of sugarcane, can also be enhanced and more emphasis should be made on enhancing production intensity with the help of technology, rather than increases in area under cultivation. Accordingly, in line with the Committee's recommendation, the Department has coordinated with the Ministry of Agriculture to find a mechanism for enhancing sugarcane production. However, the Department, in their Action Taken Replies, has not stated anything about the Committee's Recommendations regarding fixation of Minimum Support Price (MSP) for sugar and a compensation scheme for farmers in case of a glut in the market. These measures were suggested to encourage sugarcane cultivation. The Committee expect that the Committee's concerns on these issues will be forwarded to Ministry of Agriculture and Ministry of Food Processing Industries for taking appropriate action on their part and the Committee would be properly apprised of the steps taken by the Government on these recommendations.

### **B. ENCOURAGING HUMAN CONSUMPTION OF MOLASSES**

#### **(Recommendation Para No. 48)**

8. The Committee were surprised to note that despite molasses being a rich source of minerals and iron, the Department of Chemicals and Petrochemicals had not so far even thought of taking any initiative to encourage human consumption of the same. Considering the nutritious value of molasses, the Committee had argued, the need to encourage its human consumption cannot be overemphasized keeping in view the situation in India. Even in years of bumper crop of sugarcane, the sufferings of the farmers due to reduction in the prices could be mitigated by converting excess sugarcane into molasses which can be used for human consumption. The Committee, therefore, had desired the Department of Chemicals and Petrochemicals to encourage utilization of molasses for human consumption in India and coordinate with the Ministry of Food Processing Industries as a priority for taking suitable steps in the direction. The Committee had further expressed hope that the production of molasses would be augmented in such a way by the Department that besides meeting the industrial requirement, it would also cater to the needs of human consumption. They had also said that they would like to be apprised of the decision taken in the matter.

9. The Department of Chemicals and Petrochemicals, in their written reply have stated as under:-

“The Standing Committee has recommended to encourage utilization of Molasses for human consumption. The Department had taken up the issue with the Ministry of Food Processing Industries requesting them to take suitable steps as per Committee's recommendation and inform this Department of the action taken. Ministry of Food Processing Industries vide O.M.No. 5-4/2011-FFD dated 25-2-2011 has suggested that a joint action committee coordinated by Ministry of Chemicals & Fertilizers could be formed to address and discuss the issues raised



in the Report pertaining to utilization of molasses for human consumption in India. The Department shall consider forming of such a committee shortly.”

[Ministry of Chemicals & Fertilizers  
(Department of Chemicals and Petrochemicals)  
O.M. No.15021/3/2009-M Dated 7.3.2011]

### **Comments of the Committee**

**10. The Committee in their recommendation had desired that the Department of Chemicals and Petrochemicals should encourage utilization of molasses for human consumption. The Committee had also recommended that the Department should coordinate with the Ministry of Food Processing on a priority basis for taking suitable steps in this direction. The Committee are happy to note that the Department has taken up the Committee’s recommendations with the Ministry of Food Processing Industries for consideration and implementation. Now, there is a proposal to set up a Joint Action Committee under the aegis of the Ministry of Chemicals and Fertilizers to consider the Committee’s recommendation for encouraging human consumption of molasses. The Department in this regard has stated that it shall consider forming such a Committee shortly. The Committee, therefore, urge the Ministry to expedite the process of implementation of their recommendation and expect to be apprised of any development made in this regard.**

### **C. INCENTIVE SCHEME FOR MOLASSES PRODUCERS**

#### **(Recommendation Para No. 49)**

11. The Committee were informed that the Department of Food and Public Distribution and the Department of Agriculture and Cooperation had taken certain steps, viz. fixation of Fair and Remunerative Price (FRP) of sugarcane for 2009-10, long term loans from Sugar Development Fund (SDF) at concessional rate of interest, implementation of Centrally sponsored scheme of sustainable development of Sugarcane Based Cropping System (SUBCS), etc. for sugar producers so as to improve the sugar production. However, the Department of Chemicals and Petrochemicals had not initiated any incentive scheme of its own for producers of molasses, on the pretext that production of molasses being dependent on sugar, it falls within the purview of the Department of Food and Public Distribution. The Committee felt that it is incumbent on the Department of Chemicals and Petrochemicals, being the nodal Department for issues relating to molasses, to ensure enough quantity of molasses and its availability at reasonable prices for end users. In this regard, the Committee had desired the Department to explore the feasibility of introducing incentive schemes for molasses producers and take suitable steps accordingly. The Committee had also felt that the Department should work out a proper co-ordination mechanism with the Department of Food and Public Distribution and Department of Agriculture and Co-operation and constitute a Committee, if necessary, for the purpose of ensuring adequate quantity of sugarcane and molasses required for various

purposes. The Committee had said that they would like to be informed of the specific steps taken in this regard within three months of presentation of this report.

The Committee had also stated that it is high time that the Government should take suitable expeditious steps to revive sick sugar industrial units which would not only ensure optimum utilization of the sugarcane but also result in increase in production of sugar, molasses and ethanol which are required in abundance not only by public but also by industrial units.

12. The Department of Chemicals and Petrochemicals, in their Action Taken Reply, have stated as under:-

“A meeting was held on 28.1.2011 in the Department of Chemicals and Petrochemicals to discuss issues viz. enhancing sugarcane production, incentive scheme for producers of molasses and coordination mechanism among various agencies for ensuring adequate quantity of sugarcane and molasses required for various purposes. The representatives of Department of Food and Public Distribution and Department of Agriculture & Cooperation were invited in the meeting.

It was informed in the meeting that India has surplus capacity for production of sugar. However, the sugarcane production fluctuates due to its cyclic nature. Government has fixed fair and remunerative price (FRP) for sugarcane. Some State Governments are paying even higher price than the FRP. Ministry of Agriculture has also implemented Sugarcane Development Scheme under Macro Management Mode on Agriculture. The financial allocations and expenditure for the last three years of the scheme are as under:

Value in Rs. lakhs		
Year	Allocation	Utilization
2007-08	3806.01	3189.92
2008-09	2806.86	2670.32
2009-10 (P)	3886.645	3629.635

The Government has also amended Sugarcane Control Order and permitted sugar factories to convert sugarcane juice directly into Ethanol. It is expected that these steps will encourage the farmers and enhance the productivity and production of sugarcane and increase the availability of sugar, molasses and alcohol. Further regarding increase in the production of sugarcane, Department of Food and Public Distribution has informed that loans from Sugar Development Fund (SDF) are given for the purpose of cane development to the sugar factories. The past sanctioned amount for Cane Development Scheme is as follows:

Year	Sanctioned amount (Rs. in crore)
2006-07	21.05
2007-08	8.12
2008-09	1.97
2009-10	32.35
2010-11 (upto 31.12.2010)	115.23

Regarding the incentive scheme for producers of molasses, it was discussed that the production of Molasses entirely depends upon production of sugar as molasses is a by-product of the process of sugar production. What is necessary is to increase productivity of sugarcane and sugar so that increased quantity of Molasses becomes available. The increased production shall increase the

availability and stabilize the prices of sugarcane, sugar as well as molasses which can benefit the end users of all categories. Department of Agriculture & Cooperation and Department of Food & Public Distribution are already having incentive schemes for production of sugarcane and sugar and since Molasses are not produced separately but produced as by-product by sugar mills during the production of sugar, separate incentive scheme for Molasses production is not considered necessary.

Regarding coordination mechanism among various agencies for ensuring adequate quantity of sugarcane and molasses required for various purposes, it was discussed that sugarcane production is cyclic in nature and so it is difficult to assure quantity of sugarcane production. The issue of food security is also significant and the priority should be for higher production of food grains rather than sugarcane. It is necessary to enhance productivity of sugarcane so that higher output of sugarcane is available without increasing area under sugarcane cultivation. It was, therefore, suggested that under the aegis of the Standing Committee, Planning Commission may be requested to form a Committee of concerned Ministries/Departments for proper coordination mechanism.

Regarding revival of sick sugar industrial units, Department of Food and Public Distribution has informed that as per the provisions of SDF Rules, a sick undertaking is required to get a revival package approved by the BIFR in the case of private and public sector sugar factories and by the Committee on Rehabilitation (COR) in the case of Co-operative sugar mills, with a component of SDF loan in the package. Loan is available from SDF both for cane development and rehabilitation/modernization. The eligibility criteria for such loan to a potentially viable sick unit is quite favorable to the sugar factories in so far as loan up to 60% of the project cost (as against 40% in normal cases) can be given from SDF for rehabilitation/modernization projects and the moratorium period for repayment can be decided by the Central Government on case to case basis (against a fixed moratorium period of 8 years in normal cases). Similarly for cane development loan, the 10% contribution required to meet by the sugar factory can be met by the concerned State Government also.”

[Ministry of Chemicals & Fertilizers  
(Department of Chemicals and Petrochemicals)  
O.M. No.15021/3/2009-M Dated 7.3.2011]

### **Comments of the Committee**

**13. The Committee had recommended for an incentive scheme for molasses producers, but the Department has argued that a separate incentive scheme for molasses producers is not necessary, as molasses is a by-product of sugarcane and there is an incentive scheme already in place for sugarcane producers. The Department has emphasized the need to focus on increasing the production intensity of sugarcane per area rather than increases in area of cultivation and suggested that the Committee take the initiative with the Planning Commission to form an inter-Ministerial Committee to coordinate measures taken towards that end. The Committee express their displeasure over such a direction to the Committee. The Committee is not part of the Executive, as such, directions from the Department of Chemicals and Petrochemicals is highly objectionable. The**

Committee would, therefore, like that the Department of Chemicals and Petrochemicals take up the issue with the Planning Commission to form such an inter-Ministerial Committee if they feel that such a Committee would help the revival of the molasses industry. The Committee, however, regret to note that on their recommendation for expeditious action on revival of sick sugar industrial units, the Department has failed to spell out any concrete action. The Committee, therefore, reiterate their recommendation regarding revival of sick sugar units and expect the Ministry to take the Committee's recommendations seriously.

**D. NEED FOR PROPER MONITORING OF PRODUCTION, PRICE AND MOVEMENT OF MOLASSES**

**(Recommendation Para No. 50)**

14. In their Report, the Committee had noted that the pricing and distribution of molasses were earlier regulated by the Union Government under the Molasses Control Order, 1961. They had also observed that the regime of controls was stated to be inhibiting the free movement of molasses; it was also not in keeping with the economic liberalization programme of the Government. Consequently, the Government rescinded the Molasses Control Order, 1961 on 10 June 1993. The Committee, however, had noted that the details of average price of molasses during the last five years is not available with the Department as there is no price control. It had expressed regret that the Department has not been able to provide specific information relating to molasses due to absence of any specific control mechanism. This pretext, however, does not exonerate the Department from the responsibility of monitoring of molasses production and prices and maintaining relevant databank thereof, they had stated. While expressing their concern over such a state of affairs, the Committee had pointed out that being the nodal agency, the Department of Chemicals and Petrochemicals cannot absolve itself of the responsibility to address all the issues related to molasses. The Committee felt that in the absence of any specific controls in operation, the prioritization as regards allocation of molasses to different industries cannot be done. Further, to ensure optimal production of molasses and to check its shortage in any part of the country, there is a need to monitor the production, price and movement of molasses. The Committee, therefore, had recommended the Department to chalk out the proper monitoring mechanism for molasses at the earliest. For the purpose, there is an urgent need to maintain relevant and up-to-date data about movement and prices of molasses, they had said. The Committee had further recommended that the Department should evaluate the effects of withdrawal of Molasses Control Order, 1961 on the price and distribution of molasses and revisit the feasibility of introducing some mechanism of control relevant today. The Committee had also wished that they be apprised about the decision taken in the matter at the earliest.

15. The Department of Chemicals and Petrochemicals, in their Action Taken Reply, have stated as under:-

“Regarding Control on Molasses and Review of decontrol policy, it is reiterated that the prices and distribution of molasses were regulated by the Central Government under the Molasses Control Order, 1961 up to 10th June, 1993. Central Govt. (Department of Chemicals and Petrochemicals) made Inter-State allocations of Molasses from surplus states to deficit states. The allocations were made on the advice of Central Molasses Board but on a non-statutory

basis. Surplus States under-reported production of molasses whereas deficit states exaggerated their requirement. Central Govt. allocations were also not fully honoured by the State Governments. There were also reports of inordinate delays in obtaining allocations and consequent wastage of molasses. The downstream users of molasses were also not able to fully utilize their capacity. This regime of controls was inhibiting the free movement of molasses and was not in keeping with the economic liberalization programme of the Government which was initiated during the early nineties. Taking all these factors into account and with a view to falling in line with the liberalization policy of the Central Government in other sectors of economy, the Molasses Control Order, 1961 was rescinded on the 10th June, 1993. The position on implementation of Policy was reviewed in Excise Ministers' Conference held on 4.11.1993. The report of the Working Group was discussed in Excise Ministers' Conference on 22.6.95. There were divergent views and no consensus emerged. Further, Supreme Court judgment dated 11.9.98 upheld the validity of UP Sheera Niyantaran Adhiniyam, 1964 which specifically deals with molasses produced by sugar mills. The matter was examined in detail in Department of Chemicals and Petrochemicals and it was decided that it may not be advisable to reopen the issue of reintroducing control regime by the Union Government.

It may be seen from the above background that it may not be necessary to bring back the control on Molasses in the present era of free market economy. The Department has however taken up the issue with the Excise Departments of ten major producing states and their comments in the matter have been invited. Replies have been received from the states of Andhra Pradesh, Gujarat, Haryana, Karnataka, Uttar Pradesh and Uttarakhand. Replies from Bihar, Maharashtra, Punjab, and Tamil Nadu are awaited.

The Office of the Commissioner of Prohibition & Excise, Andhra Pradesh has informed that they regulate possession, use and movement of Molasses through Andhra Pradesh Excise (Possession, Import, Export, Transport of Molasses Conditions for Licence and Permits) Rules, 2008 and they do not control pricing and distribution of Molasses.

The Office of the Director, Prohibition & Excise, Gujarat has informed that there has not been control over pricing of molasses ever since the withdrawal of the Molasses Control Order, 1961 on 10<sup>th</sup> June, 1993. The sale of molasses is carried out by the sugar factories as per their own pricing. It is desirable that some proper mechanism is introduced to exercise regulation of pricing, monitoring and distribution of molasses.

The Office of the Excise and Taxation Commissioner, Haryana has informed that there is no control on molasses in the state of Haryana except the movement of molasses because there is surplus quantity available in Haryana. The price of molasses cannot be ascertained due to fluctuation in the prices. Most of the distilleries are using grain for manufacturing alcohol due to fluctuation in the prices of molasses and the overall consumption of molasses has been drastically reduced. So they are not in a position to impose control on molasses.

The Office of the Excise Commissioner, Karnataka has informed that they monitor the production, issue, transportation etc. of Molasses and issue licence to possess, store, use and sell molasses. There is no control over the price.

The Excise Department, Uttar Pradesh has informed that Uttar Pradesh has self-sufficient provisions for the control of molasses and they do not find any difficulty in regulation of molasses. Therefore there is no need for any new arrangement by the Union Government for the control of molasses in the state of Uttar Pradesh.

It may be seen from the above that various state governments are already having some control on Molasses and it may not be possible to build consensus for bringing back central control over molasses and as mentioned above it may not be necessary to bring back such control in the present era of free market economy. Regarding the data on prices of molasses, the Department has taken up the matter with the major molasses producing State Governments and as per recently compiled information, the average price of molasses during 2009-10 was Rs. 415 per quintal.”

[Ministry of Chemicals & Fertilizers  
(Department of Chemicals and Petrochemicals)  
O.M. No.15021/3/2009-M Dated 7.3.2011]

### **Comments of the Committee**

**16. The Committee had recommended in their report for institution of a proper monitoring mechanism of the production, price and movement of molasses in the country. In response to that the Department of Chemicals & Petrochemicals has stated that various State Governments are already having some control on molasses. However, the Committee are unhappy to point out that the Department did not accept the Committee’s recommendation, stating that it may not be possible to build consensus amongst States for bringing control over molasses and also it is not necessary to bring back such control ‘in the present era of free market economy.’ The Committee had made their recommendation in view of the fact that the Department has not been able to provide details of price and availability of molasses in the country after the Molasses Control Order, 1961 was rescinded on 10 June, 1993 and in the absence of any specific control in operation, prioritization as regards allocation of molasses to different industries cannot be done. The Department, while not accepting the Committee’s recommendation, did not spell out any measure it propose to take to address the above issues. Therefore, the Committee reiterate their recommendation for a proper monitoring mechanism and desire that the Department should take concrete action towards that end.**

## **E. REDUCTION OF EXCISE DUTY ON MOLASSES RECOMMENDED**

### **(Recommendation Para No. 51)**

17. The Committee were informed that excise duty on Denatured Ethyl Alcohol had been reduced from 10% to 8% but there was no corresponding reduction in the specific duty on molasses. The Committee were given to understand that the Chemical industry had been demanding reduction in duty on molasses in line with the reduction of excise duty of Denatured Ethyl Alcohol and that the Department of Chemicals and Petrochemicals had forwarded the request to the Ministry of Finance for consideration. As the reduction of duty on molasses is bound to boost the chemical industry, the Committee concurred with its demand and desired the Department to take up the matter at the appropriate level with the Ministry of Finance for early decision in this regard. The Committee had expected to be apprised of a positive decision in the matter at the earliest.

18. In reply to above recommendation of the Committee, the Department of Chemicals and Petrochemicals have stated as under:-

“Since the Excise Duty on Denatured Ethyl Alcohol has been restored at 10%, it was decided not to take up the matter with Ministry of Finance.”

[Ministry of Chemicals & Fertilizers  
(Department of Chemicals and Petrochemicals)  
O.M. No.15021/3/2009-M Dated 7.3.2011]

### **Comments of the Committee**

19. The Committee had recommended for reduction of excise duty on molasses from 10 to 8 percent as the excise duty on Denatured Ethyl Alcohol had also been reduced from 10% to 8%, but the Department has stated that they have decided not to pursue the recommendation as the excise duty on Denatured Ethyl Alcohol has also been restored to 10 percent. The Committee fail to understand the Department's reasoning that as the excise duty on Denatured Ethyl Alcohol has been restored to 10% from 8%, the excise duty on molasses could not be reduced. The Committee are dismayed to note that instead of decreasing the excise duty on molasses so as to be at par with excise duty on Denatured Ethyl Alcohol, the Government have increased the excise duty on Denatured Ethyl Alcohol to the tune of 10% and now taken the position that excise duty on molasses could not be reduced. The Committee had made their recommendation with a view to support and boost the chemicals industry. Therefore, the Committee reiterate their earlier recommendation and desire that the Ministry should take up the issue with the Ministry of Finance on a priority basis and inform the Committee of the outcome at the earliest.

## **F. NEED FOR ALLOCATION OF ETHANOL TO DIFFERENT INDUSTRIES**

### **(Recommendation Para No. 52)**

20. In their Report, the Committee had noted that the Cabinet Committee had decided in 2007 to make it mandatory to blend five per cent of ethanol in petrol under Ethanol Blended Petrol (EBP) programme. The Committee had also noted that 10 per cent Ethanol blending in petrol was taken up as pilot project in Aonla depot of UP and Desur Depot of Karnataka in December 2008. However, this programme abruptly came to an end in the month of October 2009 due to non-availability of alcohol. The Committee had been informed that sufficient quantity of Ethanol is not available for EBP programme and any continuation of this programme will result in increased import of industrial alcohol. According to the Department of Chemicals and Petrochemicals, mandatory EBP programme should be deferred till sufficient availability of alcohol is ensured without affecting the industrial sector. On the contrary, the Committee had noted that the Ministry of Petroleum and Natural Gas have adduced certain benefits, viz. saving in foreign exchange, check on carbon emissions by use of eco-friendly fuel and no operational loss to Oil Marketing Companies (OMCs) which may accrue by continuance of the programme. Also, the Government had issued guidelines on 16 August 2010 wherein OMCs have been directed to implement the programme effectively. The Committee had tended to agree with the views and the approach of the Ministry of Petroleum and Natural Gas. In that regard, the Committee had desired that both the Ministries should co-ordinate and chalk out a strategy regarding allocation of Ethanol to different industries. Further, for ensuring sufficient availability of ethanol for different industries, the Committee had expressed hope that the Department of Chemicals and Petrochemicals would take early action on the suggestions for improvement in production of molasses made by them in their earlier recommendations.

Further, the Committee had also desired that it would be appropriate if the industrial units are permitted to produce ethanol direct from cane juice which would also boost the demand of sugarcane and in turn benefit the farmers. For that, the Committee had observed, the Government ought to take necessary steps in consultation and coordination with all the concerned Departments.

21. In reply to above recommendation of the Committee, the Department of Chemicals and Petrochemicals have stated as under:-

“Ministry of Petroleum & Natural Gas has constituted an Expert Committee on Pricing of Ethanol for EBP programme under the Chairmanship of Dr. Saumitra Chaudhuri, Member, Planning Commission. The interim report of the expert committee has suggested a mechanism of allocation of Alcohol to different users.

Regarding production of Ethanol directly from sugarcane juice, Central Government has already amended Sugarcane Control Order, 1966 in 2007 and permitted sugar factories to convert sugarcane juice directly into Ethanol.”

[Ministry of Chemicals & Fertilizers  
(Department of Chemicals and Petrochemicals)  
O.M. No.15021/3/2009-M Dated 7.3.2011]

### **Comments of the Committee**

22. **The Committee in their report had recommended that both the Ministries, namely, Ministry of Petroleum and Natural Gas and Ministry of Chemicals and**



Fertilizers should coordinate and chalk out a strategy regarding allocation of Ethanol to different industries. Further, the Committee had desired that it would be appropriate if the industrial units are permitted to produce ethanol directly from cane juice which will also boost the demand of sugarcane and in turn benefit the farmers. The Committee in this regard note the Department's statement that the interim report of the expert committee on Pricing of Ethanol for EBP Programme have suggested a mechanism of allocation of Alcohol to different users. The Department has also stated that the Committee's recommendation for production of Ethanol directly from sugarcane juice has also been implemented since 2007. In this regard, the Committee expect that the final report of the expert committee under Dr. Saumitra Chaudhuri will be submitted soon and the Committee also desire to be apprised about the final recommendations of this committee and their implementation. The Ministry may also coordinate with the Ministry of Petroleum and Natural Gas for the best possible outcome on the basis of the expert Committee's report.

**CHAPTER II****OBSERVATIONS / RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE  
GOVERNMENT****Recommendation (Para No. 47)**

Molasses is the by-product of sugar and as such the production of molasses is dependent upon the production of sugarcane/sugar. The Committee note that though the growth rate index of area under sugarcane cultivation has increased significantly during the period 2001-2008, the growth in yield has not been commensurate with the same. According to the Department of Chemicals and Petrochemicals, the production of sugarcane has shown fluctuating trend over the period. This is evident from the available statistics which indicate that sugarcane production in the year 2004-05 was 237.1 Million MT, 348.2 Million MT in 2007-08 and 273.9 Million MT in 2008-09. Although the targetted production of sugarcane for 2009-10 was 396 Million MT, the actual production as per advance estimate is 277.75 Million MT. The Department of Chemicals and Petrochemicals has attributed the fluctuation in production of sugarcane to the adverse climatic conditions, decrease in sugarcane area, reduction in productivity, delayed and intermittent cane price payment, better price realization by the farmers from wheat and rice cultivation, diversion of cane towards gur, etc.

The Committee observe that sugarcane production was not in consoanance with the increase in area under cultivation during the earlier years and in the year 2009-10, the area under sugarcane cultivation has declined by 1.94 lakh hectare than that of previous year area coverage of 43.96 lakh hectare. This, in consequence, has further led to decline in sugarcane production by almost 30 per cent of targetted production of 396 Million MT. Expressing their concern on the fluctuating trend of sugarcane production which, in turn, has affected the production of the molasses, the Committee feel that there is an urgent need to ensure the satisfactory availability of sugarcane every year. As the sugarcane production falls within the domain of the Ministry of Agriculture, the Committee desire that the Department of Chemicals and Petrochemicals should coordinate with the Ministry of Agriculture to chalk out ways and means for sustained growth of sugarcane production. In this regard, the Committee recommend the Department to impress upon the Ministry of Agriculture the need for taking suitable steps, viz. fixation of Minimum Support Price (MSP) for sugar making it lucrative vis-a-vis MSP of wheat and rice, incentives to farmers for producing sugarcane, compensation to farmers in case of glut of sugar, etc. to encourage sugarcane cultivators. The Committee would like to be apprised of the steps taken in this direction within three months of presentation of this Report.

**Reply of the Government**

The matter has been taken up with the Department of Agriculture & Cooperation in the Ministry of Agriculture requesting them to take necessary action in the matter and inform this Department of the action taken. DAC informed that it is evident from the trial data that there is a plenty of scope for enhancing productivity of sugarcane crop. With the existing sugarcane area (ranging from 42 to 50 lakh ha), sufficient quantity of sugarcane can be produced by increasing the level of sugarcane yield through various technologies and interventions.

[Ministry of Chemicals & Fertilizers  
(Department of Chemicals and Petrochemicals)  
O.M. No.15021/3/2009-M Dated 7.3.2011]

### Comments of the Committee

(Please see Para No. 7 of Chapter-I of the Report)

#### Recommendation (Para No. 49)

The Committee have been informed that the Department of Food and Public Distribution and the Department of Agriculture and Cooperation have taken certain steps, viz. fixation of Fair and Remunerative Price (FRP) of sugarcane for 2009-10, long term loans from Sugar Development Fund (SDF) at concessional rate of interest, implementation of Centrally sponsored scheme of sustainable development of Sugarcane Based Cropping System (SUBCS), etc. for sugar producers so as to improve the sugar production. However, the Department of Chemicals and Petrochemicals has not initiated any incentive scheme of its own for producers of molasses, on the pretext that production of molasses being dependent on sugar, it falls within the purview of the Department of Food and Public Distribution. The Committee feel that it is incumbent on the Department of Chemicals and Petrochemicals, being the nodal Department for issues relating to molasses, to ensure enough quantity of molasses and its availability at reasonable prices for end users. In this regard, the Committee desire the Department to explore the feasibility of introducing incentive schemes for molasses producers and take suitable steps accordingly. The Committee also feel that the Department should work out a proper co-ordination mechanism with the Department of Food and Public Distribution and Department of Agriculture and Co-operation and constitute a Committee, if necessary, for the purpose of ensuring adequate quantity of sugarcane and molasses required for various purposes. The Committee would like to be informed of the specific steps taken in this regard within three months of presentation of this report.

The Committee also feel that it is high time that the Government should take suitable expeditious steps to revive sick sugar industrial units which would not only ensure optimum utilization of the sugarcane but also result in increase in production of sugar, molasses and ethanol which are required in abundance not only by public but also by industrial units.

#### Reply of the Government

A meeting was held on 28.1.2011 in the Department of Chemicals and Petrochemicals to discuss issues viz. enhancing sugarcane production, incentive scheme for producers of molasses and coordination mechanism among various agencies for ensuring adequate quantity of sugarcane and molasses required for various purposes. The representatives of Department of Food and Public Distribution and Department of Agriculture & Cooperation were invited in the meeting.

It was informed in the meeting that India has surplus capacity for production of sugar. However, the sugarcane production fluctuates due to its cyclic nature. Government has fixed fair and remunerative price (FRP) for sugarcane. Some State Governments are paying even higher price than the FRP. Ministry of Agriculture has also implemented Sugarcane Development Scheme under Macro Management Mode on Agriculture. The financial allocations and expenditure for the last three years of the scheme are as under:

Value in Rs. lakhs		
Year	Allocation	Utilization
2007-08	3806.01	3189.92
2008-09	2806.86	2670.32
2009-10 (P)	3886.645	3629.635

The Government has also amended Sugarcane Control Order and permitted sugar factories to convert sugarcane juice directly into Ethanol. It is expected that these

steps will encourage the farmers and enhance the productivity and production of sugarcane and increase the availability of sugar, molasses and alcohol. Further regarding increase in the production of sugarcane, Department of Food and Public Distribution has informed that loans from Sugar Development Fund (SDF) are given for the purpose of cane development to the sugar factories. The past sanctioned amount for Cane Development Scheme is as follows:

Year	Sanctioned amount (Rs. in crore)
2006-07	21.05
2007-08	8.12
2008-09	1.97
2009-10	32.35
2010-11 (upto 31.12.2010)	115.23

Regarding the incentive scheme for producers of molasses, it was discussed that the production of Molasses entirely depends upon production of sugar as molasses is a by-product of the process of sugar production. What is necessary is to increase productivity of sugarcane and sugar so that increased quantity of Molasses becomes available. The increased production shall increase the availability and stabilize the prices of sugarcane, sugar as well as molasses which can benefit the end users of all categories. Department of Agriculture & Cooperation and Department of Food & Public Distribution are already having incentive schemes for production of sugarcane and sugar and since Molasses are not produced separately but produced as by-product by sugar mills during the production of sugar, separate incentive scheme for Molasses production is not considered necessary.

Regarding coordination mechanism among various agencies for ensuring adequate quantity of sugarcane and molasses required for various purposes, it was discussed that sugarcane production is cyclic in nature and so it is difficult to assure quantity of sugarcane production. The issue of food security is also significant and the priority should be for higher production of food grains rather than sugarcane. It is necessary to enhance productivity of sugarcane so that higher output of sugarcane is available without increasing area under sugarcane cultivation. It was, therefore, suggested that under the aegis of the Standing Committee, Planning Commission may be requested to form a Committee of concerned Ministries/Departments for proper coordination mechanism.

Regarding revival of sick sugar industrial units, Department of Food and Public Distribution has informed that as per the provisions of SDF Rules, a sick undertaking is required to get a revival package approved by the BIFR in the case of private and public sector sugar factories and by the Committee on Rehabilitation (COR) in the case of Co-operative sugar mills, with a component of SDF loan in the package. Loan is available from SDF both for cane development and rehabilitation/modernization. The eligibility criteria for such loan to a potentially viable sick unit is quite favorable to the sugar factories in so far as loan up to 60% of the project cost (as against 40% in normal cases) can be given from SDF for rehabilitation/modernization projects and the moratorium period for repayment can be decided by the Central Government on case to case basis (against a fixed moratorium period of 8 years in normal cases). Similarly for cane development loan, the 10% contribution required to meet by the sugar factory can be met by the concerned State Government also.

[Ministry of Chemicals & Fertilizers  
(Department of Chemicals and Petrochemicals)  
O.M. No.15021/3/2009-M Dated 7.3.2011]

### **Comments of the Committee**

(Please see Para No. 13 of Chapter-I of the Report)

#### **Recommendation (Para No. 52)**

The Cabinet Committee had decided in 2007 to make it mandatory to blend five per cent of ethanol in petrol under Ethanol Blended Petrol (EBP) programme. The Committee note that 10 per cent Ethanol blending in petrol was taken up as pilot project in Aonla depot of UP and Desur Depot of Karnataka in December 2008. However, this programme abruptly came to an end in the month of October 2009 due to non-availability of alcohol. The Committee have been informed that sufficient quantity of Ethanol is not available for EBP programme and any continuation of this programme will result in increased import of industrial alcohol. According to the Department of Chemicals and Petrochemicals, mandatory EBP programme should be deferred till sufficient availability of alcohol is ensured without affecting the industrial sector. On the contrary, the Ministry of Petroleum and Natural Gas have adduced certain benefits, viz. saving in foreign exchange, check on carbon emissions by use of eco-friendly fuel and no operational loss to Oil Marketing Companies (OMCs) which may accrue by continuance of the programme. Also, the Government has issued guidelines on 16 August 2010 wherein OMCs have been directed to implement the programme effectively. The Committee tend to agree with the views and the approach of the Ministry of Petroleum and Natural Gas. In this regard, the Committee desire that both the Ministries should co-ordinate and chalk out a strategy regarding allocation of Ethanol to different industries. Further, for ensuring sufficient availability of ethanol for different industries, the Committee hope that the Department of Chemicals and Petrochemicals would take early action on the suggestions for improvement in production of molasses made by them in their earlier recommendations.

The Committee also desire that it would be appropriate if the industrial units are permitted to produce ethanol direct from cane juice which would also boost the demand of sugarcane and in turn benefit the farmers. For this, the Government ought to take necessary steps in consultation and coordination with all the concerned Departments.

#### **Reply of the Government**

Ministry of Petroleum & Natural Gas has constituted an Expert Committee on Pricing of Ethanol for EBP programme under the Chairmanship of Dr. Saumitra Chaudhuri, Member, Planning Commission. The interim report of the expert committee has suggested a mechanism of allocation of Alcohol to different users.

Regarding production of Ethanol directly from sugarcane juice, Central Government has already amended Sugarcane Control Order, 1966 in 2007 and permitted sugar factories to convert sugarcane juice directly into Ethanol.

[Ministry of Chemicals & Fertilizers  
(Department of Chemicals and Petrochemicals)  
O.M. No.15021/3/2009-M Dated 7.3.2011]

### **Comments of the Committee**

(Please see Para No. 20 of Chapter-I of the Report)

**CHAPTER III**

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

**-NIL-**

## **CHAPTER IV**

### **OBSERVATIONS / RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION**

#### **Recommendation (Para No. 50)**

The pricing and distribution of molasses were earlier regulated by the Union Government under the Molasses Control Order, 1961. The regime of controls was stated to be inhibiting the free movement of molasses; it was also not in keeping with the economic liberalization programme of the Government. Consequently, the Government rescinded the Molasses Control Order, 1961 on 10 June 1993. The Committee, however, note that the details of average price of molasses during the last five years is not available with the Department as there is no price control. It is regretted that the Department has not been able to provide specific information relating to molasses due of absence of any specific control mechanism. This pretext, however, does not exonerate the Department from the responsibility of monitoring of molasses production and prices and maintaining relevant databank thereof. While expressing their concern over such a state of affairs, the Committee wish to point out that being the nodal agency, the Department of Chemicals and Petrochemicals cannot absolve itself of the responsibility to address all the issues related to molasses. The Committee feel that in the absence of any specific controls in operation, the prioritization as regards allocation of molasses to different industries cannot be done. Further, to ensure optimal production of molasses and to check its shortage in any part of the country, there is a need to monitor the production, price and movement of molasses. The Committee, therefore, recommend the Department to chalk out the proper monitoring mechanism for molasses at the earliest. For the purpose, there is an urgent need to maintain relevant and upto date data about movement and prices of molasses. The Committee further recommend that the Department should evaluate the effects of withdrawal of Molasses Control Order, 1961 on the price and distribution of molasses and revisit the feasibility of introducing some mechanism of control relevant today. The Department should apprise the Committee about the decision taken in the matter at the earliest.

#### **Reply of the Government**

Regarding Control on Molasses and Review of decontrol policy, it is reiterated that the prices and distribution of molasses were regulated by the Central Government under the Molasses Control Order, 1961 up to 10th June, 1993. Central Govt. (Department of Chemicals and Petrochemicals) made Inter-State allocations of Molasses from surplus states to deficit states. The allocations were made on the advice of Central Molasses Board but on a non-statutory basis. Surplus States under-reported production of molasses whereas deficit states exaggerated their requirement. Central Govt. allocations were also not fully honoured by the State Governments. There were also reports of inordinate delays in obtaining allocations and consequent wastage of molasses. The downstream users of molasses were also not able to fully utilize their capacity. This regime of controls was inhibiting the free movement of molasses and was not in keeping with the economic liberalization programme of the Government which was initiated during the early nineties. Taking all these factors into account and with a view to falling in line with the liberalization policy of the Central Government in other sectors of economy, the Molasses Control Order, 1961 was rescinded on the 10th June, 1993. The position on implementation of Policy was reviewed in Excise Ministers' Conference held on 4.11.1993. The report of the Working Group was discussed in Excise Ministers' Conference on 22.6.95. There were divergent views and no consensus emerged. Further, Supreme Court judgment dated 11.9.98 upheld the validity of UP Sheera Niyantaran Adhiniyam, 1964 which specifically deals with molasses produced by sugar

mills. The matter was examined in detail in Department of Chemicals and Petrochemicals and it was decided that it may not be advisable to reopen the issue of reintroducing control regime by the Union Government.

It may be seen from the above background that it may not be necessary to bring back the control on Molasses in the present era of free market economy. The Department has however taken up the issue with the Excise Departments of ten major producing states and their comments in the matter have been invited. Replies have been received from the states of Andhra Pradesh, Gujarat, Haryana, Karnataka, Uttar Pradesh and Uttarakhand. Replies from Bihar, Maharashtra, Punjab, and Tamil Nadu are awaited.

The Office of the Commissioner of Prohibition & Excise, Andhra Pradesh has informed that they regulate possession, use and movement of Molasses through Andhra Pradesh Excise (Possession, Import, Export, Transport of Molasses Conditions for Licence and Permits) Rules, 2008 and they do not control pricing and distribution of Molasses.

The Office of the Director, Prohibition & Excise, Gujarat has informed that there has not been control over pricing of molasses ever since the withdrawal of the Molasses Control Order, 1961 on 10<sup>th</sup> June, 1993. The sale of molasses is carried out by the sugar factories as per their own pricing. It is desirable that some proper mechanism is introduced to exercise regulation of pricing, monitoring and distribution of molasses.

The Office of the Excise and Taxation Commissioner, Haryana has informed that there is no control on molasses in the state of Haryana except the movement of molasses because there is surplus quantity available in Haryana. The price of molasses cannot be ascertained due to fluctuation in the prices. Most of the distilleries are using grain for manufacturing alcohol due to fluctuation in the prices of molasses and the overall consumption of molasses has been drastically reduced. So they are not in a position to impose control on molasses.

The Office of the Excise Commissioner, Karnataka has informed that they monitor the production, issue, transportation etc. of Molasses and issue licence to possess, store, use and sell molasses. There is no control over the price.

The Excise Department, Uttar Pradesh has informed that Uttar Pradesh has self-sufficient provisions for the control of molasses and they do not find any difficulty in regulation of molasses. Therefore there is no need for any new arrangement by the Union Government for the control of molasses in the state of Uttar Pradesh.

It may be seen from the above that various state governments are already having some control on Molasses and it may not be possible to build consensus for bringing back central control over molasses and as mentioned above it may not be necessary to bring back such control in the present era of free market economy. Regarding the data on prices of molasses, the Department has taken up the matter with the major molasses producing State Governments and as per recently compiled information, the average price of molasses during 2009-10 was Rs. 415 per quintal.

[Ministry of Chemicals & Fertilizers  
(Department of Chemicals and Petrochemicals)  
O.M. No.15021/3/2009-M Dated 7.3.2011]

### **Comments of the Committee**

(Please see Para No. 16 of Chapter-I of the Report)



**Recommendation (Para No. 51)**

The Committee have been informed that excise duty on Denatured Ethyl Alcohol has been reduced from 10% to 8% but there is no corresponding reduction in the specific duty on molasses. The Committee have been given to understand that the Chemical industry has been demanding reduction in duty on molasses in line with the reduction of excise duty of Denatured Ethyl Alcohol and the Department of Chemicals and Petrochemicals has forwarded the request to the Ministry of Finance for consideration. As the reduction of duty on molasses is bound to boost the chemical industry, the Committee concur with its demand and desire the Department to take up the matter at the appropriate level with the Ministry of Finance for early decision in this regard. The Committee expect to be apprised of a positive decision in the matter at the earliest.

**Reply of the Government**

Since the Excise Duty on Denatured Ethyl Alcohol has been restored at 10%, it was decided not take up the matter with Ministry of Finance.

[Ministry of Chemicals & Fertilizers  
(Department of Chemicals and Petrochemicals)  
O.M. No.15021/3/2009-M Dated 7.3.2011]

**Comments of the Committee**

(Please see Para No. 19 of Chapter-I of the Report)

## CHAPTER V

### OBSERVATIONS / RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT ARE OF INTERIM NATURE

#### Recommendation (Para No. 48)

The Committee are surprised to note that despite molasses being a rich source of minerals and iron, the Department of Chemicals and Petrochemicals has not so far even thought of taking any initiative to encourage human consumption of the same. Considering the nutritious value of molasses, the need to encourage its human consumption cannot be overemphasized keeping in view the situation in India. Even in years of bumper crop of sugarcane, the sufferings of the farmers due to reduction in the prices could be mitigated by converting excess sugarcane into molasses which can be used for human consumption. The Committee, therefore, desire the Department of Chemicals and Petrochemicals to encourage utilization of molasses for human consumption in India and coordinate with the Ministry of Food Processing Industries as a priority for taking suitable steps in the direction. The Committee further hope that the production of molasses would be augmented in such a way by the Department that besides meeting the industrial requirement, it would also cater to the needs of human consumption. The Committee would like to be apprised of the decision taken in the matter.

#### Reply of the Government

The Standing Committee has recommended to encourage utilization of Molasses for human consumption. The Department had taken up the issue with the Ministry of Food Processing Industries requesting them to take suitable steps as per Committee recommendation and inform this Department of the action taken. Ministry of Food Processing Industries vide O.M.No. 5-4/2011-FFD dated 25-2-2011 has suggested that a joint action committee coordinated by Ministry of Chemicals & Fertilizers could be formed to address and discuss the issues raised in the Report pertaining to utilization of molasses for human consumption in India. The Department shall consider forming of such a committee shortly.

[Ministry of Chemicals & Fertilizers  
(Department of Chemicals and Petrochemicals)  
O.M. No.15021/3/2009-M Dated 7.3.2011]

#### Comments of the Committee

(Please see Para No. 10 of Chapter-I of the Report)

***New Delhi;  
13<sup>th</sup> March, 2012  
23 Phalguna, 1933 (SAKA)***

***GOPINATH MUNDE,  
Chairman,  
Standing Committee on  
Chemicals and Fertilizers***

**APPENDIX – I****MINUTES OF THE FOURTH SITTING OF THE  
STANDING COMMITTEE ON CHEMICALS & FERTILIZERS  
(2011-12)**

The Committee sat on Monday, the 05 March, 2012 from 1500 hrs. to 1600 hrs. in Room No.53, Parliament House, New Delhi.

***Present***

**Shri Raghunandan Sharma** - ***In the Chair***

**MEMBERS****LOK SABHA**

2.	Shri Prabhatsinh Pratapsinh Chauhan
3.	Smt. Paramjit Kaur Gulshan
4.	Shri Yashbant N.S. Laguri
5.	Shri Baidya Nath Prasad Mahato
6.	Shri O.S. Manian
7.	Shri N. Peethambara Kurup
8.	Shri Ponnam Prabhakar
9.	Shri Tufani Saroj
10.	Shri Raju Shetti
11.	Shri Om Prakash Yadav
<b>RAJYA SABHA</b>	
12.	Shrimati Naznin Faruque
13.	Shri Parshottam Khodabhai Rupala
14.	Prof. Anil Kumar Sahani
15.	Dr. C.P. Thakur
16.	Shri Dilipbhai Pandya

**SECRETARIAT**

- i) Shri C. S. Joon - Joint Secretary  
ii) Smt. Emma C. Barwa - Under Secretary

2. As the Chairman could not attend the sitting due to pre-occupation, the members chose Shri Raghunandan Sharma, MP and a member of the Committee, to act as the Chairman. The Acting Chairman welcomed the members to the sitting of the Committee.

3. The Committee thereafter took up for consideration and adoption the following draft Action Taken Reports :

- (i) Draft on Action Taken by the Government on the recommendations contained in the Thirteenth Report (15<sup>th</sup> Lok Sabha) on 'Production, Pricing and Distribution of Molasses' of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals).

(ii), (iii) & (iv)           \*\*\*                   \*\*\*                   \*\*\*                   \*\*\*

4. After some discussion, the draft Reports were adopted by the Committee with minor amendments as indicated in the Annexure-I, II, III and IV respectively.

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**\*\*\* Matters not related to this Report.**

**Annexure-I**

[Please see para 4 of the minutes]

Recom. No.	Page No.	Para No.	Line	Amendments/ modifications
52	17	22	3 from the bottom	<b>Add</b> "and the Committee also desire to be apprised about the final recommendations of this committee and their implementation." <b>After</b> "soon."

**APPENDIX - II**

(Vide Para 3 of the Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE THIRTEENTH REPORT (15<sup>TH</sup> LOK SABHA) OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2010-11) ON 'PRODUCTION, PRICING AND DISTRIBUTION OF MOLASSES' OF THE MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF CHEMICALS AND PETROCHEMICALS).

I	Total No. of Recommendations	6
II	Observations / Recommendations which have been accepted by the Government:- (Vide Recommendation.Para Nos. 47, 49 and 52)	3
	Percentage of Total	50%
III	Observations / Recommendations which the Committee do not desire to pursue in view of the Government's reply:- (Vide Recommendation Para No. Nil	0
	Percentage of Total	0%
IV	Observations / Recommendations in respect of which reply of the Government have not been accepted by the Committee and which require reiteration:- (Vide Recommendation Para Nos. 50 and 51)	2
	Percentage of Total	33.33%
V	Observations / Recommendations in respect of which replies of the Government are of interim nature:- (Vide Recommendation Para No. 48)	1
	Percentage of Total	16.67%