

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

STARRED QUESTION NO:161

ANSWERED ON:01.12.2009

RISE IN PRICES OF SUGAR

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Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether the prices of sugar continue to rise despite imposition of storage/stock limit, duty free import and other remedial measures taken by the Government;

(b) if so, the details thereof and the reasons therefor;

(c) the production, consumption, availability, demand and stock of sugar available during each of the last three years and the current year; and

(d) the action taken by the Government to contain prices of sugar and increase production of sugarcane and sugar?

Answer

MINISTER OF AGRICULTURE AND MINISTER OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION (SHRI SHARAD PAWAR)

(a), (b), (c) & (d): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF THE STARRED QUESTION NO.161 DUE FOR ANSWER ON 01.12.2009 IN THE LOK SABHA.

(a)&(b): Price of sugar has shown a rising trend since beginning of 2009. This is mainly on account of reduction in area and production of sugarcane in the crop year 2007-08, and higher diversion of cane to usages other than manufacture of sugar, leading to a short fall in domestic production of sugar in sugar season 2008-09. To bridge the gap between demand and supply, Government has taken a number of measures with a view to both augmenting domestic availability and managing demand. These measures have helped reduce the extent of price rise.

(c): The estimated production, availability, consumption and stock of sugar during each of the last three sugar seasons are given below:-

(in lakh tons)

Particulars 2006-07 2007-08 2008-09

Production of Sugar 282 263 146.8
Availability 326 368 257.6
Consumption # 191 205 220
Closing stocks 110 105 24.7
with sugar mills
at the end of season

(# Derived from opening and closing stock and factoring in import and export sugar based on data of Directorate General of Commercial Intelligence and Statistics, Kolkata).

As per preliminary estimates of industry, domestic production of sugar in 2009-10 may be about 160 lakh tons. Actual availability will depend on domestic production and imports. Demand in 2009-10 is estimated to be about 230 lac tons.

(d): The action taken to contain prices of sugar in the open market and to increase production of sugar and sugarcane is detailed at Annexure-I and II respectively.

ANNEXURE-I

ANNEXURE REFERRED TO IN REPLY TO PART (d) OF THE STARRED QUESTION NO.161 DUE FOR ANSWER ON 01.12.2009 IN THE LOK SABHA.

ANNEXURE -I

Measures taken by the Central Government to augment domestic stocks of sugar and to contain sugar prices

Allowed import of raw sugar under Advance Authorization Scheme by sugar mills at zero duty upto 30.09.2009.

Allowed import of raw sugar at zero duty under O.G.L. upto 01.08.2009 by sugar mills. This is presently in force upto 31.12.2010.

Import of raw sugar was opened to private trade upto 31.03.2010 for being processed by domestic factories on job basis. This is presently in force upto 31.12.2010.

Allowed duty free import of white/refined sugar by STC/MMTC/PEC and NAFED. Subsequently, duty free import of white/refined sugar under OGL has also been opened to other Central/State Government agencies and to private trade in addition to existing designated agencies. This is presently in force upto 31.03.2010.

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

The levy obligation on sugar factories has been enhanced from 10% to 20% of production w.e.f. 01.10.2009 for 2009-10 sugar season to ensure availability of sugar for PDS.

1.1 Besides augmenting the sugar stocks by permitting import of raw and white/refined sugar in 2008-09 sugar season, the Central Government has imposed stock holding and turnover limits to moderate prices of sugar as follows:

Stock-holding and turnover limits have been fixed for sugar dealers. Subsequently, Khandsari sugar has also been brought under the ambit of stockholding and turnover limit.

An order has been issued imposing stockholding limit on large consumers of sugar who are using or consuming more than ten quintals of sugar per month as a raw material for production or consumption or use. The order is in respect of stocks of domestically produced sugar.

Futures trade in sugar has been suspended in domestic exchanges w.e.f. 27.5.2009 till the end of 2009.

ANNEXURE-II

ANNEXURE REFERRED TO IN REPLY TO PART (d) OF THE STARRED QUESTION NO.161 DUE FOR ANSWER ON 01.12.2009 IN THE LOK SABHA.

Steps taken by the Government to check decline in area under sugarcane -

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

(b) The Sustainable Development of Sugarcane Based Cropping System (SUBACS) is one of the components of Centrally Sponsored Scheme (CSS), namely Revised Macro Management of Agriculture Scheme (RMMA). RMMA is implemented in all States and Union Territories of the country. The main thrust of SUBACS is on the transfer of improved production technology to the farmers through field demonstrations, training of farmers, supply of farm implements, enhancing production of planting materials, efficient use of water and treatment of planting materials. During 2008-09, in all, 19 States implemented SUBACS.

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

(d) A short term scheme has been announced for cane development in the current financial year under which loans of Rs. 1.0 to 2.5 crore will be available to sugar factories depending upon their crushing capacity, for purchase of seeds, fertilizers and pesticides etc. This loan is expected to be passed on to the farmers.