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STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (2003)

THIRTEENTH LOK SABHA

MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
(DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION)

sick sugar industry and sugar development fund

TWENTY-SEVENTH REPORT

सत्यमेव जयते

Presented to Lok Sabha on 23.12.2003

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LOK SABHA SECRETARIAT
NEW DELHI

December, 2003/Agrahayana, 1925 (Saka)

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5.	**Shri Santosh Kumar**	**Committee Officer**

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Civil Supplies and Public Distribution (2003) having been authorised by the Committee to submit the report on their behalf, present this Twenty-seventh Report on "Sick Sugar Industry and Sugar Development Fund".

2. The subject was selected for examination by the Committee during 1999-2000. After considering the preliminary material, written notes and other detailed information, the Committee took the evidence of representatives of Sugar Technology Mission, Sugarcane Breeding Institute, Coimbatore and Board of Industrial and Financial Reconstruction on 17th October, 2000. The subject was also taken up by the Committee during the years 2001 and 2002. However, the subject could not be taken up for examination by the Committee due to paucity of time, and as such the subject was again taken up by the Committee (2003) for examination on priority. The Committee (2003) took non-official evidence of Representatives of National Federation of Cooperative Sugar Factories (NFCSF) on 3rd September, 2003. The Committee also invited suggestions from Sugar Mills and their representative organisations and different state government. The Committee held discussions with the representative of National Cooperative Development Corporation (NCDC) on 20.10.2003 at Bangalore and with representative of Industrial Development Bank of India (IDBI) at Mumbai on 21.10.22003 The Committee took official evidence of the representatives of Ministry of Consumer Affairs, Food and Public Distribution (Deptt. of Food and Public Distribution) on 24th November, 2003. The Committee would like to place on record their appreciation of the work done by the Committee in the years 1999-2000, 2001 and 2002 for taking evidence and obtaining valuable information on the subject.

3. The Committee wish to express their thanks to the officers of Ministry of Consumer Affairs, Food and Public Distribution for placing before them the material on the subject and furnishing the information desired in connection with the examination of the subject. The Committee also wish to express their thanks to representatives of Sugarcane Breeding Institute, Coimbatore, Sugar Technology Mission,

BIFR, NCDC, IDBI etc. for appearing and placing their considered views before the Committee on the subject.

4. The Report was considered and adopted by the Committee (2003) at their sitting held on 19.12.2003.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report.

NEW DELHI

19 December,2003

28 Agrahayana, 1925 (Saka)

DEVENDRA PRASAD YADAV,
Chairman,
Standing Committee on Food, Civil Supplies and Public Distribution.

PART A

REPORT

(A) SICK SUGAR INDUSTRY

INTRODUCTORY

Sugar industry is the second largest agro-based processing industry in India, next only to cotton textiles. It is also one of the oldest and the largest organized sector industries in the country. It is predominantly located in the rural areas. About 4.5 crores sugarcane farmers, their dependents and a large mass of agricultural labourers are involved in sugarcane cultivation, harvesting and ancillary activities constituting 7.5 % of the rural population. Besides, about 0.5 million skilled and semi skilled workers, mostly from the rural areas, are engaged in the sugar industry.

1.2 Sugar industry is seasonal in nature as production of sugar is confined to 110-200 days in a year. Being a seasonal industry, inventory levels are high at the year-end.

1.3 India is the largest producer and consumer of sugar in the world and the second largest producer of sugar cane after Brazil. However, its average yield of 68.2 tonnes (2001-02) of sugarcane/hectare is much lower than other countries. Similarly, the average recovery of sugar at 10.27% is also low by international standards. Also, per capita availability of sugar at about 15.4 kg. is quite low in comparison to the international average. During 2002-2003 domestic consumption was 185 lakh tours.

1.4 In India, sugar industry is dominated by the co-operative sector, which accounts for more than 55% share, in terms of the number of sugar factories, installed capacity and production. Six States viz. Maharashtra, Uttar Pradesh, Tamil Nadu, Karnataka, Gujarat and Andhra Pradesh together account for over 90% of total sugarcane and sugar production in the country. Maharashtra alone accounting for 30% of India's total sugar production and is the largest sugar producing state in the country.

1.5 For the last six years, the vicious cycle of shortage and surplus is broken. The country have entered into an era of surplus. The sugar production was 19.8 million tonnes and the stock was also 17.3 million tonnes as on 30th June, 2003.
A comparative position of sugar production as well as sugar carry over stock at the end of season of last 5 years is given as under:-

(Lakh tonnes)

Season	Cane crushed	Sugar Production	Carry over stock
1996-1997	1303.79	129.05	65.4
1997-1998	1291.35	128.52	52.6
1998-1999	1575.61	155.41	66.6
1999-2000	1784.19	182.00	100.2
2000-2001	1766.60	185.11	118.2
2001-2002	1803.46	185.28	105.0
2002-2003	1950.00	200.00	100.0

1.6 The above huge stock of sugar has resulted into heavy carrying over cost, insurance charges and storage problem etc.

1.7 The total number of installed sugar mills in the country as on 30.9.2003 is 496. The break up of sugar mills is as follows:-

		Number of installed sugar Mills
(i)	Public Sector	034
(ii)	Private Sector	166
(iii)	Co-operative Sector	296
	Total	**496**

1.8 Besides, 42 Sugar mills have remained closed for the last five sugar seasons or more. 76 Sugar mills of private and public sectors are sick and 123 sugar mills of cooperative sector have negative networth.

1.9 The sick sugar companies belonging to the Private and Public Sectors are covered under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). Such sick sugar companies are required to make a reference to the Board for Industrial and Financial Reconstruction (BIFR). As per the information provided by the BIFR, as on 30.06.2003, 44 companies involving 76 sugar mills are registered with BIFR. The State-wise break up is as follows.

Sl. No.	**State**	**No. of sugar mills.**
1.	Andhra Pradesh	3
2.	Bihar	4
3.	Kerala	1
4.	Karnataka	5
5.	Madhya Pradesh	3
6.	Maharashtra	4
7.	Orrissa	1
8.	Punjab	2
9.	Rajasthan	1
10.	Tamil Nadu	8
11.	Uttar Pradesh	43
12.	West Bengal	1
	Total	76

1.10 The cooperative sugar mills are not covered by the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and are registered under the Cooperative Societies Acts of the respective States. As per the information furnished by the Ministry, 123 mills in the Cooperative Sector have negative net worth, as on 31.03.2002. State-wise details are as follows: -

S.No	State	No. of CSMs	No. of CSMs with negative networth
1.	Gujarat	26	05
2.	Karnataka	18	11
3.	Haryana	12	06
4.	Punjab	14	10
5.	Tamilnadu	16	13
6.	Uttranchal	04	02
7.	Uttar Pradesh	24	21
8.	Andhra Pradesh	14	08
9.	Maharashtra	153	47
	TOTAL	**281**	**123**

(B) SICKNESS

1.11 Sickness is a common phenomenon in the industries. Agro processing units including sugar units are equally plagued by the problem of sickness.
Several committees were set up by the Government to examine sickness in the sugar industry like Gundurao Committee, 1963, Sen Enquiry Commission, 1965, Sugar Industry Enquiry Commission, 1970, Reserve Bank of India Study Group of Sickness, 1984 and High Powered Committee, 1998. The sickness in sugar industry has been identified by different Institutions. The criteria to determine sickness under SICA for Public and Private companies are as follows:-

(i) Accumulated losses should be equal to or more than the net worth (paid up capital plus free reserves) and,
(ii) The industrial company should have completed five years after incorporation.
(iii) The company should have employed not less than 50 industrial workers during the preceding 12 months.

1.12 RBI considers unit to be sick when it incurs cash losses for one year and is also likely to incur cash losses for the current year. It has eroded the net-worth. The current ratio is less than one and having worsening debt equity ratio.
1.13 Reserve Bank of India study group on sickness in sugar industry had long back made the following observations/ recommendations:

> " Based on the appraisal of the different fact and facets of the Sugar Industry, more particularly, the causes for sickness and the urgency for evolving an effective instrument for the rejuvenation of the industry, RBI Group was of the view that the problem of growing sickness may be tackled by the Central and State Governments jointly with Financial Institutions and Banks in an integrated and co-ordinated manner with a thrust both on the preventive and curative approach".

1.14 The RBI Group had made some recommendations for Central Government and State Governments for adoption by the different agencies connected with the sugar mills. The Group had observed that the main cause of the growing sickness in the sugar industry is the non-availability of adequate sugarcane of optimum quality. The establishment of new sugar mills in close proximity of existing ones and unsuitable sites has been solely responsible for the spread of sickness. It is known that the letters of intent for setting up new sugar factories were issued on the recommendations of the State Governments. Experiences had shown that the State Governments generally recommend cases for new licences even on considerations other than techno-economic merits. In fact in many cases, the data on availability of existing and potential sugarcane, furnished by the applicant enterprises and duly supported by the State Government, was subsequently found to be incorrect and/or highly exaggerated. The group had thus suggested that an instrument may be created to verify the above data by an independent agency, and the Central Government should exercise a better check while issuing the new licences. The Group also felt that the Central Government might like to ensure that the new licences are not given in the vicinity of the existing sugar factories upto a radial distance of 60 Km in order to avoid overlapping of operational areas. The new licences for sugar mills may be issued on the basis of existing and anticipated marketable surplus of sugarcane. The statutory sugar cane price to be fixed by the Central Government should be fair and reasonable as compared to other crops. The Central Government should give preference to the existing sugar factories to expand their capacity to higher levels both from the stand point of cost and optimum economic size. The spirit of sugar Control Order relating to sharing of excess realizations from free sale sugar in terms of sugarcane price may be strictly enforced, and the State Governments should not be allowed to temper with the above mechanism. The Central Government should also frame a long term sugar policy with a view to providing stability to the sugar industry based on total spectrum of all the sweetening agents, and fix prices for levy sugar at realistic level; as also allow reasonable price for levy free sugar.

1.15 The RBI Group had also made some recommendations for State Governments. The Group desired that they should introduce zoning orders with a view to ensuring allotment of distinct and independent area of operations for each sugar mills. The State Government should encourage merger/ amalgamation of the small and uneconomic sized sugar units with need based rationalization of labour force".

1.16 The general Status of Sugar Industry vis-à-vis special thrust on sickness as mentioned in brief note of major sugar producing States is being discussed in succeeding paragraphs:

(a) Andhra Pradesh

1.17 In Andhra Pradesh during last crushing season i.e., 2002-2003, 34 sugar factories have functioned; 10 under Cooperative Sector, 3 under Joint Venture and remaining 21 under private management. Sugarcane is one of the most important commercial crops in Andhra Pradesh being grown on average area of around 2.00 lakh hectares with an estimated production of about 170 to 180 lakh MTs. The productivity of the cane in the State is around 80 MTs/Hec. The percentage of utilisation of sugarcane to sugar by sugar factories is around 65 to 70%. The remaining portion of cane is being diverted mainly, for jaggery manufacturing.

1.18 The sugar factories under cooperative and public sector were incurring heavy losses continuously due to various reasons like inefficient management, high payment of State Advised Cane Price, low sugar recoveries, high conversion cost, interest burden on working capital, under utilisation due to lack of raw material etc. Due to the losses incurred by the factories, Government had to provide financial assistance to the factories, so that farmers are paid for the cane purchased from them. Since, this was occurring each year, the Government thought it fit to privatize the sugar factories under cooperative and public sector as there was no possibility to rehabilitate these mills.

1.19 The State Government have incorporated Section 12-A to AP Coop. Societies Act, 1964 and carried out amendments for this purpose.

1.20 So far, the following 5 Cooperative Sugar Factories (CSFs) have been privatized.

1. Sri ASM Coop. Sugars Ltd., Palakole
2. Shri Hanuman Coop. Sugars Ltd. Hanuman Junction.
3. Nagarjuna Coop. Sugars Ltd., Gurajala.
4. Nandyal Coop. Sugar Ltd., Nandyal
5. Palair Coop. Sugars Ltd., Rajeswarapuram.

1.21 Action has been initiated for privatization of the following CSFs during 2003-2004, as they have become sick and they cannot undertake their activities in a viable manner:

1. Kovvuru Coop. Sugars Ltd., Nellor.
2. Shri Venkateswar Coop. Sugars Ltd., Renigunta
3. Chittoor Coop. Sugars Ltd., Chittoor
4. Nizamabad Coop. Sugars Ltd., Sarangapur.
5. Amadalavalasa Coop. Sugars Ltd., Amadalavalasa.
6. West Godavari Coop. Sugars Ltd., Bhimadole.
7. N.V.R. Coop. sugars Ltd. , Tenali.

1.22 The State Government have reported that if remaining Cooperatives Sugar Factories also show signs and symptoms of sickness, they would also get privatized.

1.23 During 2002, two public sector units at Bobbili and Zaheerabad have been privatized. 3 public sector units at Bodhan, Metpally and Medak are running under Joint Venture between Nizam Sugars Ltd. and M/s Delata Papers Ltd. with management by the private partner. During the last crushing season these 3 units under Joint Venture worked successfully.

1.24 The machinery of Nizam Sugar Unit at Hindupur was already sold in the year 1998, whereas in case of the Nizam Sugar Unit at Miralaguda a major portion of the land, machinery and other assets have been sold during 2002-2003.

(b) Bihar

1.25 Sugar Industry is an old and important industry based on Agriculture in Bihar. Sugarcane is a cash crop in Bihar. Sugar Industry is completely dependent on production of sugarcane. About 5 lakh farmers and 50 thousand labour force is dependent for his livelihood on this industry. In the first decade of 20 Century, sugar industry was started in Bihar. From 1904 to 1940, 33 sugar industries were established which has now restricted only to 28. At one time about 40% of production of sugar came from Bihar which has now remained only to a level of 3-4 %. It is essential that the cultivation of sugarcane be encouraged and sugar industry be made profitable by giving assistance. Out of 28 sugar mills of the State, 18 sugar mills have become sick and only 10 sugar mills in private management is in better condition. Out of this 18 sick sugar mills, 15 Sugar mills belongs to Bihar State Sugar Corporation Limited (BSSCL), Patna and 3 mills belongs to British India Corporation (BIC) group under Government of India undertaking under Ministry of Textiles.

1.26 Sugar mills under BSSCL were previously owned by private entrepreneurs. But in due course private entrepreneurs gradually did not like to run these factories because they used to sustain losses. Hence the Government of Bihar in the general interest of cane growers as well as workers, decided to take over these mills and run under the general supervision and control of Bihar State Sugar Corporation Limited. Bihar State Sugar Corporation has run these factories ever since their take over by the Government. The corporation has incurred huge losses from year to year mainly because of the old technology of these mills, frequent breakdowns and poor capacity utilisation. No Sugar mill can be viable today without its crushing capacity being less than 3000 TCD. So far as the mills run under sugar corporation are concerned, their crushing capacity ranges between 700 TCD to 1720 TCD which is far less than the technically viable capacity today. These 15 sugr mills of the BSSCL are lying closed since 1997-98. The sugar mills from BSSCL are not registered with BIFR. As per order of the Hon'ble High Court of Patna, the BSSCL has filed an application on 12.08.2002 before Hon'ble court for winding up of the company.

1.27 As reported by State Government Sugar mills of Bagaha, Chanpatia, Barachakia and Marauhra have been referred to BIFR. Hon'ble High Court of Allahabad has given an order of sale in case of non-rehabilitation of these mills.

1.28 State Government of Bihar has further stated that the total cane price arrear from the state is to the tune of Rs. 8539.23 lakh out of which 884.04 lakh belongs to BSSCL. The maximum recovery percentage from 1997-98 to 2002-2003 has been 9.52% in 1997-98 and the lowest 8.54 in 1998-99. There is need of construction of feeder road, their repair and irrigation facility in areas of sugar mills including establishment of co-generation project. There is proposal of vermiculture and Fertilizer from Press Mud during 2003 –2004. The grants have been released for soil test Laboratory, tissue culture, pest control.

1.29 There are two programme being run by Government of Bihar for cane development. Under centrally sponsored scheme there is proposal of Rs. 259.793 lakh out of which central share is 233.8137 and state share is 25.9793 lakh. Under this, schemes training, improved implements, establishment of tissue culture, soil test laboratory, establishment of Bio-pesticide Laboratory, production of breeder seed and development of irrigation infrastructure are included. Under the state sponsored scheme there is proposal of Rs. 132 lakh during 2003-2004. The main purpose of this scheme is to increase production of sugarcane. Under the scheme, grants are given for transport, seed, purchase of plant safety instrument and for programmers of breeder seeds.

(c) Gujarat:

1.30 There are 30 cooperative sugar mills in the State. Out of which 17 cooperative sugar mills are working satisfactorily, 2 sugar factories are stagnant, 5 are in liquidation, 2 factories are under construction and 4 are in infant stage. 3 sugar factories, out of 17 working sugar mills have negative net worth and hence these sugar mills are classified as sick units, over and above two stagnant sugar mills. One sugar mill, out of five sugar mills under liquidation is potentially viable and requires to be revived. Thus, the following six sugar mills are classified as sick sugar mills.

1. Reva Sugar Cooperative
2. Ukai Sugar Cooperative
3. Valod Sugar Cooperative
4. Sardar Sugar Cooperative
5. Maroli Sugar Cooperative
6. Una Sugar Cooperative

1.31 The Government of India, Ministry of Consumer Affairs, Food and Public Distribution, New Delhi has amended SDF rules to provide financial help to the sick sugar mills for revival. The proposal for revival of sick sugar mills are to be put up before committee for rehabilitation. The proposal for revival of sick units are required to be prepared based on the revival report prepared by National Federation of Cooperative Sugar Factories Limited, New Delhi. The NFCSF has to carry out survey in respect of above sugar mills for preparation of revival report.

1.32 As per the request made by the Director of Sugar, Gujarat State, the NFCSF Limited has carried out survey of two sugar mills and has already prepared revival report of one Una Sugar Factory and revival report in respect of Reva Sugar Factory is under preparation. Survey in respect of Sardar Sugar Cooperative and Ukai Sugar Cooperative is be carried out in a month's time. In remaining cases, advance payment of fees for carrying out survey is awaited by NFCSF Limited. The concerned sugar factories have been advised to pay necessary advance fee to NFCSF to enable them to carry out survey and prepare revival report. Director of Sugar and Secretary (Cooperation) have discussed the matter with officers of NFCSF Limited, personally . Director of Sugar is constantly in touch with concerned officers of NFCSF Limited and officers of sugar mills. A decision has already been taken by Government to give Reva Sugar Cooperative on rental basis. It is under active consideration of Government to give Valod Sugar cooperative also on rental basis. "

(d) Haryana:

1.33 In all there are 15 Sugar Mills in the State of Haryana, out of which 3 Mills are in Private Sector and 12 Mills are in Cooperative sector. The Cooperative Sugar Factories are at Panipat, Rohtak, Karnal, Sonipat, Shahabad, Jind, Palwal, Meham, Kaithal, Bhuna, Sirsa, and Gohana. The accumulated loss of these 12 Cooperative Sugar Factories as on 30.10.2003 are 52112.16lakh. Out of 12 Cooperative Sugar Mills, 4 Coop. Sugar Mills. i.e. Karnal, Shahabad, Gohana, and Sirsa are having positive networth whereas all other Mills are having negative networth. The Coop. Sugar Mills Panipat, Rohtak, Kaithal, Meham and Bhuna are incurring losses during the last few years only.

(e) Karnataka

1.34 Karnataka is amongst the major sugarcane and sugar producing States in the country and ranked 4th in the national scenario during 2001-02 season during 2002-03. In the State, the districts where large area under sugarcane is being cultivated are Belgaum, Bagalkot, Mandya, Bidar, Davangere, Chamarajnagar, Shimoga and Mysore. These districts account for 78% of the total sugarcane production in the State. Government of Karnataka has invested a substantial sum of Rs.765.33 crores in the cooperative sugar factories. This has resulted in the development of rural area and provided employment to the rural population, thus checking to some extent the migration of rural population to the urban areas. Government is assisting the existing working sugar factories by standing guarantee to the working capital loan advanced by banks. For upgradation of the existing capacity of working factories, Government also stands guarantee for the term loan raised from National Co-operative Development Corporation (NCDC), Sugar Development Fund (SDF) and other central financing agencies. The total Govt. guarantee provided so far is Rs. 381.17 crores.

1.35 In respect of sugar factories which are working under loss and have negative networth, the Government stands guarantee even for obtaining pledge/hypothecation loans. Upto the end of 2002-03, Govt. had provided guarantee to the extent of Rs.245.44 crores in respect of 13 sugar factories.

1.36 In Karnataka , there are 41 sugar factories which are working. The total daily crushing capacity of these factories is 1.085 lakh tones. Per season (180 days) crushing capacity is 195.30 lakh tones. 16 new factories of 2500 TCD each are under erection. 8 in the Cooperative Sector and 8 under Private Sector. Once, these 16 factories are commissioned the total no. of factories in the State would be 58 and the daily crushing capacity would increase to 1.48 lakh tones and the crushing of cane to 267.0 lakh tones per season. The average duration of the crushing season in the State during the last 10 seasons, varies from 127 to 200 days. The average crushing duration during 2001-02 season was 142 days. Over a period of time, the crushing percentage of sugarcane in the cooperative sector has come down mainly on account of financial and managerial problems. 10 factories have negative networth. The factories having accumulated cash loss are not regular in operating pledge loan.

1.37 The Public and private sector sugar factories in Karnataka perform fairly well compared to the co-operative sector factories. One factory is under BIFR, 2 factories remained closed for the last two seasons. While 2 factories did not work during the season 02-03. Given the set of circumstances now prevailing, the State Government has reported that no useful purpose will be served in trying to revive the 2 factories which have not worked during the last two seasons as well as the one which did not work during the season 02-03 only.

(f) Maharashtra

1.38 State of Maharashtra contributes about 35% of total domestic sugar production of India. About 90% of sugar manufacturing units in the State are in cooperative sector. The cooperative sugar sector of the State has contributed a lot to the overall economic development of rural areas of the State, and has prevented migration of rural population to urban areas . A number of educational institutions, health facilities, rural credit societies etc. have come up in rural Maharashtra due to generation of income in rural areas.

1.39 The sickness of co-operative sugar units in the State has been studied by a number of committees, the latest being Madhav Godbole Committee. The Committee submitted its report in March, 1999. The report is under consideration of Government of Maharashtra. The position of co-operative sugar units by year 2002-03 can be shown as follows:-

1.	Total number of registered co-operative sugar factories	-202
2.	Factories under erection	-36
3.	Factories under de-registration	-3
4.	Factories commissioned	-163
5.	Factories under liquidation	-11
6.	Factories closed during year 2002-03	-9
7.	Factories in operation during year 2002-03 (one under liquidation but operating on lease basis).	-144

1.40 Government of Maharashtra has recently taken decision not to participate in setting up of 21 new sugar manufacturing units, which are at very initial stage of erection by contributing share capital and extending Government Guarantee to bank loan for setting up of the unit. Balance 15 cases of sugar factories under erection have also been reviewed and are under reconsideration of State Government.

1.41 Sickness of the sugar factories has been identified based on financial statements for financial year 2001-02. Based on this analysis the co-operative sugar factories of Maharashtra has been classified as follows:-

- Factories not having losses-19
- Factories whose capital base is eroded by less than 50%-34
- Factories whose capital base is eroded by more than 50%-34.
- Factories with negative net worth –56.

1.42 It is a general belief that co-operative sugar factories of Vidarbha and Marathwada are sick in large number. But actual incidence of sickness does not follow this pattern. 18 co-operative sugar factories of Western Maharashtra which has higher recovery of sugar, are sick Geographical area wise incidence of sickness is as follows:-

- Vidarbha- 10
- Marathwada - 21
- Khandesh - 07
- Western Maharashtra - 18

1.43 Crushing capacity as a factor of sickness in co-operative sick units is derived from the following facts and figures, that out of 56 sick units 33 have crushing capacity more than 2500 TCD:-

- Capacity 1250 TCD 1
- Capacity 1250 TCD 19
- Capacity 2000 TCD 03
- Capacity 2500 TCD 27
- Capacity 2500 TCD 6

1.44 Sickness as a factor of capacity utilization is also not giving clear picture. Out of 56 sick units, 24 units have last five year's average capacity utilisation of more than 80%. Their breakup is as under:-

a)	Total no. of sick units -	56
b)	Units with capital utilization-80%	24
c)	Units with cap utilisation 65%-80%	06
d)	Units with cap utilisation 50%-65%	10
e)	Units with cap utilisation 50%	16

(g) Punjab:

1.45 As per information available upto 1999-2000, there were 15 cooperative sugar mills in the state out of which one (Budhlada) was under liquidation. Eleven out of these fifteen sugar mills were incurring losses and the cumulative losses were to the tune of Rs.451.24 crores. Thirteen out of the fourteen working cooperative sugar mills were in loss during the year 1999-2000 and the loss incurred was approximately Rs.70 crores. Only four cooperative sugar mills (Nawanshahr, Budhewal, Nakodar & Morinda) were having cumulative profit of Rs.43.56 crores and only one mill (Budhdewal) has made a nominal profit of Rs.38 lacs. 6 sugar mills viz. Tarn Taran, Fazilka, Gurdaspur, Batala, Faridkot and Bhogpur is reported to have potential for revival but the 4 mills viz. Zira, Jagraon, Ajnala and Patiala have very little potential for revival and are proposed to be closed. The State Government of Punjab had implemented VRS and was also providing funds for the same.

(h) Tamil Nadu.

1.46 There are 16 cooperative sugar mills and 3 public sector sugar mills functioning in Tamil Nadu. Majority of the mills were making profits upto the year 1993-94. However, these mills started incurring losses from the year 1994-95 due to various factors. The accumulated losses of all the cooperative and public sector sugar mills have reached Rs.1091.91 crores as on 31.03.2003. The various factors responsible for incurring continuous heavy losses by the mills are as under:-

i) Payment of high State Advised Price.
ii) Declining trend in sugar price.
iii) Adverse effect on recovery rate due to redrot disease in high sugar variety CO 671 from 1995-96.
iv) Extended crushing in sugar mills during 1994-95 and 1995-96 resulting in poor recovery ultimately causing loss of Rs.110.00 crores.
v) Increase in cost of production annually due to high interest burden and transportation cost etc.

1.47 Keeping in view the heavy accumulated losses and negative net worth in the cooperative sugar mills, a rehabilitation proposal for revival of 12 sick cooperative sugar mills were formulated in consultation with National Federation of Cooperative sugar factories and submitted to the Government during the year 2000. All the 3 mills in the public sector have been referred to BIFR for rehabilitation. But the State Government has taken a decision to privatize the sick cooperative and public sector Government. The amendments to the Tamil Nadu Cooperative Societies Act and Rules made thereunder enabling the Government to privatize the sick mills were placed before the Legislature and got approved. The bill has been sent for the assent of the President of Inida. As on 31.3.2003, the networth of 14 cooperative sugar mills and 3 public sector sugar mills are negative and the entire share capital has been eroded. The current problem being faced by the Industry are higher cane price, low realisation from sale of sugar, accumulation of sugar stock and cane price dues.

(i) Uttar Pradesh.

1.48 During 2002-03 crushing season, 56.51 lakh sugar was produced by 101 sugar mills of U.P. by crushing 592.69 lakh tonne sugarcane at average recovery rate of 9.83%. The break-up of working sugar mills in each sector are 22 (public), 27 (cooperative) 52 (Private). The closed sugar mills of respective sector are 11, 1 and 2. 4 more sugar mills under the control of Govt. of India are also closed.

1.49 U.P. State Sugar Corporation was established in 1971 by taking over some sugar mills of private sector that were not making payment of cane prices arrears and payments due to workers. But due to incurring heavy loss in running these mills, these sugar mills were referred to BIFR. Due to less capacity, obsolete and old machinery and other reasons, the cost of production of these sugar mills are more than the sales realization of sugar and hence their condition is going bad to worse. As a result, the Govt. of U.P. have to provide each year economic assistance in crores so as to clear cane price arrears and wage etc. of workers. Due to this privatization of these mills are under consideration of Government presently.

1.50 First of all, cooperative sugar mills in U.P. was established in Bajpur (Nainital) (now in Uttranchnal) in 1958-59. The cooperative sugar mills are also incurring losses due to almost similar reasons.

1.51 When the Committee asked whether State Governments are promptly coming forward for revival of sick sugar mills of different States and whether the matter has been taken up with the concerned State Governments, the Ministry in their written reply submitted as under:-

> "The State Governments have been requested to submit the proposals for revival of the sick sugar mills of the cooperative sector. In spite of reminders, no proposal has been received from any State Government. Some State Governments have their own plans either for disinvestment or getting study conducted for taking suitable action in respect of such mills as indicated from the following:-
>
> Tamil Nadu Government has recently informed that the State Government has taken a decision to private the sick cooperative and public sector sugar mills and hence the rehabilitation proposals in respect of the sick sugar mills have not been considered by them. The amendment to the Tamil Nadu Cooperative Societies Act and Rules made thereunder enabling the Government to privatize the sick mills have been approved by the Legislature and the bill has now been sent for the assent of the President of India.
>
> Similarly the Andhra Pradesh Government has informed that due to the losses incurred by the factories, Government had to provide financial assistance to the factories, so that farmers are paid for the cane purchased from them. Since, this was occurring each year, the State Government has taken a decision to privatize the six cooperative sugar mills in the State as there is no possibility to rehabilitate these mills. Five cooperative sugar factories have already been privatized.
>
> As regards public sector units of the State of A.P. two public sector units at Bobbilli and Zaheerabad have been privatised. 3 public sector units at Bodhan, Metpally and Medak are running under Joint Venture between

Nizam Sugars Limited and M/s Delta Pepers Limited with management by the private partner. During last crushing season these 3 units under Joint Venture worked successfully.

As regards sick cooperative sugar mills of Punjab, the State Government has reportedly entrusted a study to MPMG for these mills.

In Maharashtra Vasantdada Sugar Institute has been requested to analyse the possibilities of revival of the sick cooperative units. The VSI has analysed the financial position of sick sugar mills and suggested certain measures which are under consideration of Government of Mahasrashtra".

(C) REASON OF SICKNESS

1.52 Some of the important causes of sickness in sugar industry has been discussed in following paragraphs.

(a) Uneconomic size

1.53Number of existing sugar mills (excluding those which are closed since last five years) in different capacity range are under:

(As on 30.09.2003)

	Capacity range	No. of mills
1)	<1250 TCD	26
2)	= 1250 TCD	75
3)	1250 – 2000 TCD	64
4)	2000-2500 TCD	223
5)	2500-3500 TCD	35
6.	more than 3500 TCD	73

	Total	**496**

(b) Old and outdated machinery:

1.54 This has direct bearing on the performance of the factory. Most of the working factories have not upgraded the plant and machinery from time to time and due to poor season and off season maintenance resulted in unnecessary expenditure on maintenance. It also affects smooth crushing, recovery and quality of sugar etc. In the present scenario a sugar factories having the capacity more than 2500 TCD is being considered viable. Thus except 108 sugar mills, all other sugar mills will require expansion in their capacity and upgradation in their plant and machinery. The State Government of Karnataka informed that out of 20 working cooperative factories, 9 factories are having 1250 TCD capacity. Unless these factories (which are potential viable) are upgraded to 2500 TCD with cogeneration and distillery, these units cannot work profitably. The approximate cost of upgradation would be Rs.60 crores. Many of these factories are more than 25 years old. The normal smooth functioning of the new factories with barest minimum maintenance is 5 years. After that, factory has to take action to provide budgetary support and effect upgradation. Further, purchase of sub-standard machinery parts have also curtailed the life of the plant. All these factors have contributed to the malfunctioning of the factory.

(c) Excess inventory, Heavy sugar stock and interest burden on them:

1.55 As per the guidelines issued by the Directorate of Sugar, each factory of cooperative and public sector has to send proposal to the Directorate of Sugar, seeking approval for seasonal and off seasonal repairs and maintenance on time. But most of the factories effect the purchases of machinery spares, gunny bags, consumables like chemicals, lubricants etc. on irrational basis. It is also noticed that the price of a particular product with specifications varies from factory to factory. Some factories have purchased machinery parts worth crores of rupees by borrowing working capital loan at high rate of interest and such purchase has become redundant. The Bank are not providing working capital Loans due to sickness, closure and the uneconomic size of sugar mills. The matter has been taken up with the Ministry of Finance to convert the working capital loan to mid-term/long-term loan on case to case basis. Also a limit has been fixed for State Governments for giving guarantee to sugar mills.

1.56 Sugar stocks are sold by the Cooperative Sugar Mills as per release orders issued by Govt. of India which were on the lower side resulting into heavy inventory of sugar stocks causing heavy interest burden on the borrowed funds from Banks to pay the cane dues of farmers. On borrowing against the stocks, sugar mills are paying interest @14% per annum to the Coop. Banks is on the higher side. The Associations/Federations of sugar mills has suggested the pledge loan to be treated as agriculture loan.

1.57 Detailing the status of excess production and high cost of production, the representatives of NCSFS stated as under :-

> "In India we produce 198 lakh tonnes of sugar per year, whereas our demand is only 120 lakhs of tonnes per year. This 78 lakhs of tonnes is the excess produced in India. Either it has to be exported or it has to be sold at a cheaper rate. If there is no levy, if there is no controlling system, if you allow without levy in the open market this 78 lakhs of tonnes, the sugar mills will be closed within a year. Prices will go below Rs. 10 per kilo. This is the real situation of the market. Production is very high because we have given a lot of licences. Under licensing system there was control. But now there is no licensing. Beyond every fifteen kilometers any body can establish an industry, but there is no area. That is the main reason as to why we are not able to sell the sugar. There are so many reasons for the sickness of the industry, like high incidence of taxation, high incidence of labour etc. But high production is the main reason for that. We want only 120 lakh of tonnes, but we produce 198 lakhs of tonnes. Some time back, the Reserve bank announced the sugar prices as Rs. 10,500 per tonne. Due to higher stocks, people purchasing sugar for trading have not given us the necessary price. Our production cost is high. The cost of production is Rs. 1,400 per quintal for an industry on an average, whereas we get Rs. 1,100 per quintal and below the price. We lose Rs. 300 per quintal. This is one of the reasons for our being not able to came up in life. That is why the entire capital of the cooperative sugar industries is being wiped out. That is why they are becoming sick. There should be proper control on production and the price. May be we have to resort to partial control as it was happening

prior to this. The Industry did support the idea of decontrol."

1.58 To liquidate excess stock of sugar when the Committee asked whether Government may contemplate increase of levy quota to a higher level and distribution of the same through Public Distribution System, the Ministry in their post evidence reply stated that consequent upon the recommendation of the High Powered Committee headed by Shri B.B.Mahajan, former Food Secretary for decontrol of the sugar industry. The Government has progressively reduced the levy: non levy sugar ratio from 40:60 to 10:90 (with effect from 1.3.2002) as also restricted the distribution of levy sugar through Public Distribution System (PDS) to BPL (Below poverty line) population in all the States except in the North Eastern States, Hill States and Island Territories where the same is distributed on universal coverage basis. Moreover, the State Governments/UTs/agencies nominated by the States/UTs are not lifting the allocated quantity of levy sugar from the sugar factories mainly due to small difference between the open market prices and issue prices of sugar through the Public Distribution System. Therefore, increase in levy quota may not result in liquidation of excess stock of sugar. However the representatives of sugar mills requested to ensure lifting of levy quota.

(d) Lack of experienced technical personnel

1.59 Most of the cooperative sugar factories are working without the full time qualified key technical officers like Chief Engineer, Chief Chemist, Chief Cane Development Officer. Many factories are not having qualified Chief Accounts officer to manage the financial aspects of the factory. Lack of technical officers in the factory has resulted in mal-functioning.

(e) Excess staff

1.60 Depending upon the crushing capacity, each sugar factory needs technical, skilled and unskilled staff both on permanent and seasonal basis. The staffing patterns are not drawn scientifically. Moreover, the machinery are of the old type and the layout of the plants spread over to a larger area. Due to this, most of the existing co-operative sugar factories have excess staff strength causing heavy establishment expenditure. This has lead to high cost of production.

(f) Declining trend of sugar price in the market.

1.61 Market price of sugar had fallen sharply resulting into losses to the mills as would be clear from the data given below.

Sr.No.	Year	Average Sale Realization Fig. In Rs. per qtl.
i)	1999-2000	1420.96
ii)	2000-2001	1446.42
iii)	2001-2002	1408.71
iv)	2002-2003	1243.38
v)	2003-2004 (upto May 2003)	1121.94

(g) High cost of production:

1.62 As compared to sugar prices, cost of production of sugar has been quite high at about Rs.1618/- per qtls. including Rs.1113 being the cost of cane. The cooperative sugar mills are paying the State Advised Price in some States as high rate of as Rs.110/- per qtl for early high sugar varieties, Rs.106/- per qtl. for mid varieties and Rs.104/- for general varieties.

1.63 Statement showing cost of production of sugar and loss incurred by industry as submitted by India Sugar Mills Association (ISMA) during 2000-2001, 2001-2002 and 2002-2003 are as under:-

	2000-2001	**2001-2002**	**2002-2003**
Cane Cost per quintal of sugar	897	920	890
Maufacturing charges and Return as per Expert Body	451	410	397
Total cost per quintal of sugar	1348	1330	1287
Realisation per quintal of sugar	1290	1150	1187
Short-fall per qtl.	58	180	100
Production (lakh tonnes)	185	185	202
Total Loss (Rs./ Crores)	**1073**	**3330**	**2020**

1.64 The representatives of NCDC also in their post tour reply has informed to the Committee that the cost of production of sugar varies from factory to factory. It is lower to a level of Rs. 1300/quintal for a higher capacity factory while it goes upto Rs. 2300/- quintal for a factory a ranging from 700 TCD to 1200 TCD.

1.65 When the Committee asked the ways and means to reduce the cost of production of sugar, the representatives of ISMA submitted as under:-

> "Production cost of sugar comprises of two elements viz (a) field costs (cost of raw material sugarcane) and (b) manufacturing costs. Field costs account for 70% of total cost of production of sugar in India. The manufacturing cost which account for 30%, the interest charges alone account for 10% which is the single largest component in India vis-à-vis other major producers of sugar in the world. In other words, the manufacturing cost excluding interest computes to only 20% of the total cost of production of sugar.
>
> As per international studies, India rank number 3 in the lowest manufacturing cost o f production of sugar next to Brazil and Australia, despite small size sugar units as compared with mega size units in these countries. Till recently, Government has been regulating licensing of sugar units and expansion projects. The reserved area of the sugar mills is also being regulated and currently 15 kms radius is prescribed. This puts a major constraint on expansion of sugar mills as it cannot support large size sugar units.
>
> All these go to show that there is not much scope for considerable reduction in manufacturing cost of producing sugar. However, there has been an endeavour on the part of the sugar mills to improve their efficiency."

(h) Distance between two Sugar mills

1.66 The distance criterion between an existing/already licensed sugar mill and the proposed new sugar factory was relaxed from 25 Kms to 15 Kms in special cases where cane availability so justified as per the Guidelines issued in November, 1991 for licensing of sugar factories. Further, the Press Note issued in 1997 for considering the applications for Industrial Licenses for sugar factories specified that the distance between the proposed new sugar factory and an existing/already licensed sugar factory should be not less than 15 Kms.

1.67 While the world over the sugar mills with capacity less than 2500 TCD was becoming unviable, the distance between two sugar factories was being reduced to give way to emergence of new sugar factories and for more sugar production. When the Committee asked whether Government have assessed the impact of delicensing of sugar done in August, 1997, the Ministry in their written reply have furnished that the Central Government have not made any assessment of the impact of delicensing in sugar industry. After delicensing of sugar industry, 57 sugar factories have been established on the basis a letter of intents (LOIs) issued earlier and 28 sugar factories have been established after obtaining IEMs from the Government of India. However, State Government of Karnataka have expressed their anguish over process of acknowledging Industrial Entrepreneurs Memorandum (IEM). IEM has to be registered with Government of India and an acknowledgment is issued in lieu of letter of intent. While acknowledging the IEMs, Government of India does not consult the State Governments. As such huge number of acknowledgments of IEMs have been obtained by entrepreneurs in the State. Totally 83 LOIs and IEM acknowledgments have been obtained. This has created the problem of allotment of cane area to each LOI & IEM holders by the State Govt. There are instances of issue of IEMs more than one for a single place. As such , Government of India may be requested not to register new IEMs without the prior consent of the State Govt.

1.68 It may not be out of place to mention that after delicensing of the sugar industry, the production of sugar has been increasing consistently, which may be seen from the data given below:

Sugar Season	Production (in Lakh tones)
1998-99	154.52
1999-2000	181.93
2000-2001	185.10
2001-2002(P)	184.96
2002-2003(P)	200.99

(i) Cane Price

1.69 The Central Government fixes Statutory Minimum Price (SMP) for sugarcane in each sugar year. In addition, each State Government notifies the State Advised Price (SAP) for sugarcane, which is invariably higher than SMP. While SMP is used for determining the price paid by the Central Government to the sugar mills for levy sugar, the mills are required to pay the cane growers on the basis of the notified SAP.

1.70 Range of minimum sugarcane price notified and the price paid by the factories in the different States of the Country are as under:

(*FIGURES IN RS. QUINTAL*)

STATE	2002 - ---------------------------------- Min. Notified	2003 --------------------------------- Price Paid
Uttar Pradesh	69.50 to 89.18	69.50 to 100.00
Bihar	69.50 to 76.88	60.50
Punjab	69.50 to 85.90	70.00 to 100.00
Haryana	69.50 to 87.54	104.00 to 110.00
West Bengal	69.50	NA
Orissa	73.60 to 75.24	69.82 to 83.00
Madhya Pradesh	73.60 to 88.36	75.00 to 97.02
Rajasthan	77.70	NA
Maharashtra*	69.50 to 113.78	56.00 to 96.56
Gujarat*	76.88 to 96.56	48.50 to 51.00
Andhra Pradesh	69.50 to 94.92	69.50 to 92.18
Tamil Nadu	69.50 to 95.74	69.50 to 95.74
Karnataka	69.50 to103.12	69.50 to 91.60
Pondicherry	69.50	64.50
Goa	73.60	NA
Uttaranchal	71.14 to 82.62	NA

*Maharashtra, Gujarat and part of Karnataka, the final cane price is decided after the close of sugar season.

1.71 On being asked the practice of payment of cane price and their rationalization, the representatives of NFCSF submitted as below:-

> " As per the sugar Control Act, it is only SMP which is legal. The SAP has no basis. In fact, the SAP has resulted in sickness of the sugar factories. It is because of the advise of the CACP for paying higher prices. The last time, announced SMP was Rs. 69/- per quintal.. The Punjab Government announced the SAP or Rs. 1000/- per tonne. The Uttar Pradesh Government announced it a Rs. 900/- per tonne. So, having compelled to pay that price, the sugar factories have become sick. That is one of the reasons why the sugar factories have become sick."

1.72 The representatives of Indian Sugar Mills Association also in their written note on payment of cane price have stated that Liberalisation of sugar sector without liberalization of sugarcane sector is bound to create serious aberrations. Unlike in other countries Government of India has been announcing statutory minimum price for sugarcane payable by sugar mills to sugarcane farmers while some State Governments announced much higher state advised prices. As long as it is binding on the sugar mills statutorily to pay certain price of sugarcane, the responsibility of the administrator is automatically created for maintaining sugar prices at corresponding reasonable levels. During the last 4 years, the country has been passing through a glut situation with large carry forward stocks. The sugar prices plummeted to levels below the levy price fixed by the Government seriously impacting on the ability of the sugar industry to discharge its obligation for payment of cane priced and suffered heavy losses. The sugar industry in other countries is insulated even in such extreme situations.

1.73 While suggesting the mechanism to ward off the aberration in sugarcane sector, the representative of ISMA further submitted that World over cane price payments are made on a staggered basis. This is because sugar is produced during a period of 5-6 months and its sales are spread over a period of l year and even higher to ensure its supply at reasonable prices. The Mahajan Committee which went into this matter recommended first advance payment of a minimum of 80% of the advanced price or SMP whichever is higher within 15 days of supply of cane by the growers; the remaining amount of the advance price becomes payable before the end of the sugar season and the difference between the advance price and the final price within 15 days of the announcement of the final price. In fact deferred payment of cane price is already followed in several parts of India, namely Gujarat, Maharashtra, Karnataka, Tamil Nadu and Andhra Pradesh and this system has been working quite satisfactorily.

(j) Cane Price Arrears

1.74 The Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution have furnished the following statement showing the state wise cane price arrears position as on 20.11.2003.

(Rs. in crores)

2002-2003

Sl.No.	**State**	**Cane price Payable**	Cane Price Paid	**Arrears**	**% of balance p payable**	**Position As on**
1	U.P	4989.96	4192.72	797.25	15.98	30.9.03
2	Punjab	601.18	456.35	144.83	24.09	30.9.03
3	Gujarat	876.69	818.40	58.29	6.64	31.9.03
4	Karnataka	1297.08	1163.66	133.42	10.29	31.8.03
5	Uttaranchal	441.95	326.45	115.50	26.13	30.8.03
6	Bihar	329.42	294.02	35.40	10.75	30.9.03
7	Tamil Nadu	1253.84	1059.05	194.79	15.54	31.9.03
8	Haryana	619.17	436.41	182.75	29.52	31.8.03
9	Andhra Pradesh	975.10	898.64	76.46	7.84	31.8.03
10	Maharashta	2468.69	2383.07	85.62*	3.47	31.8.03
11	Orissa	28.30	28.30	0.0	0.0	31.8.03
12	M.P	61.40	57.98	3.42	5.57	31.8.03
13	Rajasthan	2.51	2.51	0.0	0.0	31.8.03
14	Pondicherry	24.74	23.26	1.48	5.97	31.8.03
15	West Bengal	2.49	0.00	2.49	100.00	31.8.03
16	Goa	7.69	7.69	0.0	0.0	31.8.03

17.	**Kerala**	1.77	0.00	1.77	100.00	31.8.03
	Total	**13981.98**	**12148.5**	**1833.4**	**13.11**	

2001-02, 2000-01 and earlier seasons

(Rs. In crores)

S.No	State	Arrears ------------------ 2000-01 & earlier	Arrears ------------------ 2001-02	Position as on
1.	U.P.	0.53	0.20	30.9.03
2.	Punjab	0.0	0.03	30.9.03
3.	Gujarat	0.0	0.02	30.9.03
4.	Karnataka	0.24	0.21	31.8.03
5.	Uttaranchal	0.0	0.22	31.8.03
6.	Bihar	0.0	0.14	30.9.03
7.	Tamil Nadu	0.0.	0.0	30.9.03
8.	Haryana	0.0	7.96	31.8.03
9.	Andhra Pradesh	3.70	0.0	31.8.03
10.	Maharashtra	18.26	2.43	31.8.03
11.	Orissa	0.35	0.0	31..8.03
12.	M.P.	5.76	1.23	31.8.03
13.	Rajasthan	0.01	0.0.	31.8.03
14.	Pondicherry	0.0.	0.0.	31.8.03
15.	West Bengal	0.0.	0.0.	31.8.03
16.	Goa	0.0.	0.0.	31.8.03
17.	Kerala	1.22	0.0	31.8.03
	Total	30.07	12.44	

(k) Taxes on sugar Industry

1.75 The Central Government has imposed the following duties on sugar industry .

(i) Sugar

	Non-levy sugar Rs. /qtl.	Levy sugar (Rs./qtl.
Basic excise duty	34.00	17.00
Additional excise duty	37.00	21.00
Cess	14.00	14.00
Total	85.00	52.00

(ii) Molasses Rs. 500 per MT.

In case of sugarcane, purchase tax, cess and Cooperative Society's commission are levied by the State Governments and these vary from State to State. The imposition of Central Excise Duty comes under the purview of Government of India, Ministry of Finance. The State Governments of Maharashtra has waived purchase tax relieve Sugar Industry from present crisis.

1.76 Thus we see that in the sugar industry, following few temporary/permanent factors are responsible for the sickness of the industry:-

i) Low sugar recovery due to shrinkage in the area of higher sucrose variety of sugarcane.
ii) Non-availability of sugarcane according to the capacity of sugar factory.
iii) Higher incidence of interest on the outstanding loan of the factories.
iv) Higher incidence of wages due to heavy staffing strength.
v) Out-dated and worn out plant and machinery.
vi) In-efficient management
vii) Higher sugar losses in processing of sugarcane.
viii) Low price realization from free sale sugar.
ix) Adverse government policy not favorable to sugar industry.
x) Higher cane price payments not to pace with sales realization.
xi) Less capacity utilisation.
xii) No diversification.
xiii) Excess stock/carry over stock.
xiv) Uneconomic size of sugar mills.
xv) No harvesting and transportation planning.
xvi) No reserve /surplus.

(D) SUGAR DEVELOPMENT FUND

1.77 Under the Sugar Cess Act, 1982, a cess of Rs. 14.00 per quintal is being collected as excise duty on sugar produced by the sugar factories in India. The Sugar Development Fund Act, 1982 provides that the amount of the proceeds of the excise duty levied and collected under the Sugar Cess Act, 1982 reduced by the cost of collection as determined by the Central Government , together with any money received by the Central Government for the purpose of Act, shall after due appropriation made by Parliament by Law will be credited to the Sugar Development Fund.

(a) Amendment of Sugar Development Fund Act.

To bring sugar industry out of financial hardship, squeezing its operating margin and rationalize the cost of production of sugar, the Central Government has amended Sugar Development Fund in May, 2002 extending the application of SDF loans to sugar factories or any unit thereof for:

a) bagasse based co-generation power project with a view to improving their viability;
b) production of anhydrous alcohol or ethanol from alcohol with a view to improving their viability; and
c) defraying expenditure on internal transport and freight charges to sugar factories on export shipment of sugar with a view to promoting its export.

1.79 As amended from time to time, Sugar Development Fund is to be utilized by the Government of India for the following purposes:--

(i) Making loans for undertaking any scheme for development of sugarcane in the catchment area of a sugar factory,

(ii) Making loans for facilitating the rehabilitation and modernization of a sugar factory,

(iii) Making grant for the purpose of any research project aimed at the development of sugar industry,

(iv) Defraying expenditure for the purpose of building up and maintenance of buffer stock of sugar with a view of stabilizing the price of sugar,

(v) Defraying expenditure on internal transport and freight charges to sugar mills on export of sugar,

(vi) Making loans to sugar mills for bagasse based cogeneration power projects

(vii) Making loans for production of Anhydrous Alcohol/Ethanol.

(viii) Defraying any other expenditure for the purpose of the Act.

1.80 During the period from 1982-83 to 2002-2003 (up to 31.12.02) a cess amount of Rs. 3355.34 crores has been collected by the Government and Rs. 2826.00 crores has been transferred and deposited to the Sugar Development Fund.

1.81 The expenditure under items (i) to (viii) above is budgeted separately and recovered by transfer from Sugar Development Fund under Public Account of India. Taking into account the amount disbursed from the SDF and the repayment of loans (Principal and interest) up to 30.6.2003, the balance at the credit of Fund stood at Rs. 1390.33 crores as on 30.06.2003.

1.82 The following provisions were made for the payments out of SDF during 2002-2003 and 2003-2004:-

(Rs. in Lakh)

		2002-2003	2002-2003	2003-2004
		BE	RE	BE
(a)	Subsidy for maintenance of buffer stocks of sugar	1,00	1,00	300,00
(b)	Grants-in-aid for research projects aimed at development of sugar industry	2,00	1,00	1,00
(c)	Loans for modernization rehabilitation of sugar mills	200,00	160,00	150,00
(d)	Loans for sugar mills for cane development	20,00	20,00	20,00
(e)	Administration of Sugar Development Fund	513	512	563
(f)	Expenditure on National Institute of	---	---	---

	Sugarcane and Sugar Technology, Mau			
(g)	Loans to sugar mills for bagasse based Cogeneration Power Projects	---	---	100,00
(h)	Loans for production of Anhydrous Alcohol/Ethanol	---	---	50,00
(i)	Subsidy on Internal Transport & Freight Charges to Sugar Mills on export of sugar	---	30,00	50,00
	Total	22813	21712	67663

1.83 The following disbursements have been made from the SDF during the last three years:-

(Rs. in Lakh)

		1999-2000	2000-2001	2001-2002	2003-2003 Up to 31.12.2002
(a)	Subsidy for maintenance of buffer stocks of sugar	710.02	21.74	---	---
(b)	Grants-in-aid for research projects aimed at development of sugar industry	65.49	13.77	164.25	3.22
(c)	Loans for modernization/rehabilitation of sugar mills	16003.53	7728.58	12852.54	6905.88
(d)	Loans for sugar mills for cane development	2685.50	1100.25	752.23	945.82
(e)	Administration of Sugar Development Fund	469.05	527.98	506.61	10.13
(f)	Expenditure on National Institute of Sugarcane and Sugar Technology, Mau	127.42	159.78	29.18	---
(g)	Loans to Sugar Mills for Bagasse based Cogeneration Power Projects	NA	NA	NA	---
(h)	Loans for production of Anhydrous Alcohol/Ethanol	NA	NA	NA	---
(i)	Subsidy on Internal Transport & Freight Charges to Sugar Mills on Export of Sugar	NA	NA	NA	---
	Total	20061.01	9552.10	14304.81	7865.05

(b) Loan for Cane Development

1.84 Loan is advanced from SDF to the Sugar Undertaking for the development of sugarcane for the following schemes:-

1) Setting up of Heat Treatment Plants.

2) Rearing of Seed Nurseries (three tier foundation, primary and secondary)

3) Incentives to cultivaters to switch over to improved varieties of sugarcane.

4) Pest Control Measures (for equipment only).

5) Irrigation Schemes (tubewell/borings/lift irrigation, digging/deepeningof old wells).

6) Ratoon Management.

7) Tissue Culture Lab/Soil Testing Lab/Biological Control Lab.

8) Computerisation of Cane Management.

9) Construction of Feeder Road; or

10) Any other scheme or project as may be approved by the Central Government.

The financial assistance is available for one or more of the above scheme.

<u>Pattern of Assistance Under Cane Development</u>

1.85 A loan is advanced from SDF for undertaking various cane development schemes as per the following pattern:-

(i) SDF :90% of the total cost of the scheme subject to a maximum of Rs. 3.00 crores.

(ii) Sugar Undertaking: Minimum of 10% of the total cost of the Scheme.

<u>Procedure for Disbursement of Cane Development Loan</u>

1.86 The loan for cane development schemes is disbursed normally in three annual instalments. The first instalment is released after completion of necessary formalities like execution of tripartite agreement between Central Government, State Government and Sugar Unit, furnishing of State Government Guarantee/Bank Guarantee, deposit of 10% factories' contribution in a separate No. Lien Bank Account. Second and subsequent instalment of loans are disbursed on receipt of satisfactory utilization certificate/progress report from the concerned State Government which acts as the monitoring agent for these schemes.

<u>Interest & Repayment of Cane Development Loan</u>

1.87 The loan is advanced at a concessional rate of simple interest of 9% per annum and repayment of loan is to be made within 7 years, including a period of moratorium of three years.

The pattern of security for cane development loan is as follows:-

a) State Government Guarantee in the case of Cooperative Sector Sugar Unit.

b) Bank Guarantee from a Scheduled Commercial/Cooperative Bank of RBI in the case of Private Sector Sugar Unit.

1.88 Sugar Units in the cooperative sector are also eligible to furnish Bank Guarantee as security.

1.89 When the Committee asked about the efforts and achievement of the Ministry in cane development and introducing new varieties of sugarcane, the representatives of Ministry during the oral evidence before the Committee stated as under:-

> " Sugarcane development programmes are formulated mill-wise. We call the mill-owners and ask about variety of sugarcane and their area, what new variety they want to introduce and whether that particular variety is suitable for that region or not? Whether that is certified by the Agriculture University situated in that area? The money is received from Sugar Development Fund to increase the area of sugarcane and to increase the cultivation of such varieties."

Short term Loan to the Sugar Mills for Purchase of Inputs for Cane Development

1.90 In addition to the above, loan for cane development, loans repayable over a period of 2 years are also made available from SDF for the following specified purpose for the development of sugarcane in the factory;

(i) Purchase of Seed;
(ii) Purchase of Fertilizers and
(iii) Pesticides.

This loan is linked to the installed capacity of the sugar mill in terms of TCD (Tonnes Crushed Per Day).

The Short term loan scheme was introduced w.e.f. 21-11-1997 and closed on 31-3-1998.

Pattern of Assistance for the Short Term Loan for Inputs

1.91 The minimum amount of short term loan was Rs. 50.00 lakhs and maximum loan that could be provided to a sugar mill was Rs. 150.00 lakhs. The loan was sanctioned only if the sugar mill contributed a minimum of 10% of the loan applied for, from its own resources as margin money.

Interest and Repayment of the Short Term Loan

1.92 The loan carried a concessional rate of simple interest of 9% per annum. There was no moratorium for repayment of the Short Term Loan and the loan together with interest thereon was to be repaid in four half yearly instalment.

1.93 Bank Guarantee and Second Charge on the fixed assets of the sugar unit were accepted as security for short term loan.

1.94 The Ministry in their written reply have submitted that M/s Kakatiya Cements and Sugars Limited, Kolluru Mandal, Distt. Khamnam, AP, had availed and repaid the short term loan.

(C) Loan from SDF for Modernisation/ Rehabilitation/Expansion of Sugar Mill

1.95 The Sugar Development Fund Rules, 1983 provides that any sugar undertaking which is approved by any of the specified financial institutions (i.e. IFCI, IDBI, IIBI, NCDC & ICICI) for financial assistance under its relevant scheme for the purpose of rehabilitation/modernization of its plant and machinery is normally eligible for a loan from SDF. Sugar Undertakings which are sponsored by the Technology Information Forecasting & Assessment Council (TIFAC) in respect of the scheme “Mission Mode Project on Sugar Production Technologies” of the Department of Science & Technology for the purpose of rehabilitation/modernization of its plant & machinery are also eligible for a loan under this Rule.

1.96 Loan is provided from the SDF for Modernisation/Rehabilitation/Expansion Project normally as per the following pattern:-

(a) Financial Institution – Minimum 50% of the eligible project cost
(b) Promoters – Minimum 10% of the eligible project cost
(c) SDF – Maximum 40% of the eligible project cost.

1.97 The loan is given at a concessional rebate of 9% simple interest per annum. The loan is repayable in a maximum period of 13 years including a period of moratorium of eight years.

1.98 For Project sponsored by TIFAC (Modernisation Project through upgradation of Technologies) Loan is provided from SDF normally as per the following pattern:-

(a) Financial Institution – Minimum 30% of the eligible project cost.
(b) Promoters – Minimum 10% of the eligible project cost.
(c) SDF – Maximum 60% of the eligible project cost.

1.99 The loan is given at a concessional rate of 6% simple per annum. The loan is repayable in a maximum period of 10 years including a period of moratorium of a maximum of five years.

1.100 The release of Ist instalment of the sanctioned SDF loan for modernization/rehabilitation/expansion is subject to detailed terms & conditions, i.e., execution of tripartite agreement between Central Government, Sugar Unit and Financial Institution, creation of second charge in favour of Government of India on the fixed assets of the sugar unit and opening of separate SDF No. Lien Bank Account. The Second certificate/progress report duly forwarded by the

IFCI/NCDC. The modernization loans are secured by way of second charge on the fixed assets of the Sugar Unit.

1.101 In case, the rehabilitation scheme of sick sugar mill is considered and sanctioned by the Board for Industrial & Financial Reconstruction (BIFR) as per the provisions of the Sick Industrial companies Act, 1985 and the BIFR considers it appropriate that financial assistance in the shape of loan from the Sugar Development Fund is to be provided to a sick sugar mill and so passes an order as part of its rehabilitation scheme, the same is considered for approval in accordance with SDF Rules, in the Standing Committee for the Sugar Development Fund.

1.102 The following three sick sugar mills have received financial assistance from the Sugar Development Fund:-

(Rs. in lakhs)

S. No.	Sugar Unit	Amount Sanctioned & Year	Amount disbursed
1)	The Ajudhia Sugar Mills Raja Ka Saharpur, Distt. Moradabad, UP	678.00 (1994-95)	678.00
2)	The Shervani Sugar Syndicate Ltd Neoli, Distt. Etah, UP	19.00 (1988-89)	19.00
3)	M/s. India Sugar and Refineries Ltd., Hospet, Karnataka		Loan yet to be disbursed.

1.103 When the Committee asked about the sanction, disbursement out of SDF, the representatives of Ministry during the official evidence deposed as under:-

> "In 2001-2002, 13 applications have been sanctioned for providing Sugarcane Development Loan under which Rs. 19 crores have been sanctioned for it and only Rs. 15 crores have been disbursed. 21 applications for modernisation purpose have been sanctioned. Rs. 178 crores have been sanctioned for this and Rs. 128 crores have been disbursed. In 2002-2003, 11 cases for cane development have been sanctioned. Rs. 15 crores have been disbursed. For 5 cases of modernisation Rs. 57 crores have been sanctioned and Rs. 52 crore have been disbursed. In the year 2003-2004 for out of 5 cases of modernisation Rs. 9 crores have been sanctioned and Rs. 2 crores 63 lakhs have been disbursed. 73 applications are lying for sugarcane development loan. We have considered 30 applications in the SDF meeting. There are 8 cases of modernisation out of which only one case is pending for consideration. There were 10cases of cogeneration and one case is remaining. Three cases on ethanol are pending."

1.104 When the Committee asked whether there are schemes for modernization/expansion/rehabilitation of sugar industry to achieve the Minimum Economic Size (MES) in a phased manner, the Ministry in their written reply stated as under:-

> "As a part of a strategy to modernize and upgrade industry, the Government has established a Sugar Technology Mission (STM), within the umbrella of the Technology Information Forecasting and Assessment Council (TIFAC) an autonomous institution under the Department of

Science and Technology. The STM has conducted a comprehensive industry survey from cane handling to sugar packing, to prepare schemes for modernization, optimisation and rehabilitation of various sugar mills. The Schemes aim at an improvement in the overall productivity of sugar factories through the use of latest commercially viable technologies.

Under SDF Rules, 1983 financial assistance is provided out of the Sugar Development Fund to any sugar undertaking which is approved by a financial institution for assistance under its relevant Scheme for purpose of modernization/rehabilitation/expansion of its plants and machineryor sponsored by the Technology Information Forecasting & Assessment Council (TIFAC) in respect of the Scheme Mission mode project on Sugar Production Technologies of the Department of Science & Technology. In respect of sick mils who are registered with BIFR, measures as directed by it are taken by Government as corrective measures. When a proposal for grant of a loan from SDF for rehabilitation/modernization/expansion is received through a FI or SDF in accordance with SDF Rules and Guidelines. The government is also encouraging the sugar units for modernization/rehabilitation/expansion through the Incentive Scheme(s) formulated from time to time to upgrade the sugar industry.

Sugar factory up-gradation projects, sponsored through STM are being provided with concessional finance (60% of project cost financed at 6 % p.a. interest rate) from SDF.

The introduction of new technologies promoted by Sugar Technology Mission (STM) is a part of the process of enabling the industry to phase out old and obsolete technologies. The technologies introduced by STM which have proved to be successful and are in the process of replication in various sugar mills are:

(i) Film type Sulphur Burner
(ii) PLC System for Juice flow stabilization and control of juice liming and sulphitation.
(iii) Vacuum Filtrate Treatment.

A Low Pressure Extraction system to extract juice from sugarcane has been set up for trial in a sugar mill in Maharashtra with a capacity of 2500 TCD. The system has worked for one full crushing season in 1998-99 and promises to reduce power consumption and maintenance costs. There are also other advantages of the system like low capital cost and reduced down time during operations.

As a part of the activities, STM identifies technologies that can lead to cost saving and improved sugar quality. For example, the trial of a new process called the Defecto Remeit Phospho Floatation Process has been taken up in a commercial sugar factory for improving sugar quality."

Rehabilitation through SDF

1.105 The Government of India amended Sugar Development Fund Rules to provide financial assistance to potentially viable sick sugar undertakings in cooperative sector in respect of which a scheme of rehabilitation has been recommended by the committee for rehabilitation. The loan is provided from the SDF for modernization/rehabilitation normally as per the following pattern:

(a) The Financial Institution : 20% of the total project cost

(b) Promoter's : 20% of the total project cost
(c) SDF : 60% of the total project cost

In case of cane development scheme, a pattern will be as follows:

(a) Promoter's : 10% of the total project cost
(b) SDF : 90% of the total project cost

Interest and Repayment

Loan for modernization/rehabilitation

1.106 The loan from the fund carries a concessional rate of simple interest of 6% per annum and in case of default, additional interest @ two and half per cent shall be payable. The repayment of the loan along with the interest thereon shall commence after the expiry of maximum of 5 years and shall be recoverable in half yearly installment not exceeding ten in number.

Loan for Cane Development

1.107 Rate of interest will be the same as mentioned above. As regards the payment of loan for sugarcane development together with interest thereon shall commence on the expiry of moratorium period of one year and shall be repaid in equal half yearly instalment not exceeding eight in number.

Sanction and Disbursement

1.108 "A committee for rehabilitation" shall recommend the rehabilitation scheme of any cooperative sugar factory. The Central Government after consideration of the recommendation of the committee for rehabilitation authorize payment to a sugar undertaking of such amount of loan.

The loan is disbursed in one or two instalments through the Financial Institution/Scheduled Bank.

Grants for research

1.109 Under this category, grants are provided to established institutions connected with the sugar industry for carrying out research aimed at the promotion and development of any aspect of the sugar industry.

1.110 R and D is the backbone of progress of any industry. In 1933-34, the Government of India under the British Rule visualized the need of sugar research and established three research institutes which are now know as the following:-

(a) Sugarcane Breeding Institute (SBI), Coimbatore
(b) Indian Institute of Sugarcane Research (IISR), Lucknow
(c) National Sugar Institute (NSI), Kanpur

1.111 SBI carries out research aimed at breeding sugarcane varieties suitable for different agro-climatic regions of the country. IISR evolves cultural practices required for each cane variety developed by SBI. These varieties, commonly known as Co varieties have contributed immensely for a large-scale, indigenous, economic cultivation of cane which ultimately led to establishment of sugar factories in different States of the country. NSI, Kanpur, provides technical training in the disciplines of sugar technology, sugar engineering, alcohol technology and other allied branches. Experts of the Institute visit factories for advisory and extension services. SBI, Coimbatore, generally receives grants/assistance from Government of India and its agencies but not from the State Governments.

1.112 When the Committee asked what are the achievements of SBI, Coimbatore in development of high sucrose, high yielding, disease free and early maturing cane varieties, the representatives of the Institute furnished as under:-

> " The principal mandate of the Institute is the development of improved sugarcane varieties and their commercialization through State Government and All India Co-ordinated Research Project (AICRP) Agencies. The Institute since its inception has evolved nearly 2800 Cocanes (sugarcane hybrids developed at Coimbatore by this Institute) and provided them to various Sugarcane Research Organisations for location testing and release of varieties for commercial cultivation if found suitable. Outstanding varieties evolved from SBI are Co 213, Co 372, Co 453, Co 1148, Co1158, Co 7717, Co 89003 for sub-tropical and Co 419, Co 449, Co 527, Co 658, Co 740, Co 997, Co 62715, Co 6304, Co 8021 for tropical region. Through All India Coordinated Research Programme on Sugarcane, this Institute was associated in the production of many prominent varieties like CoJ 64, CoS 767, CoPant 84211 for sub-tropical and CoC 671, CoA 7602, CoP 8201 for tropical India. All these varieties combine high yield, sucrose and resistance to diseases especially red rot. Some of these varieties like Co 997, CoC 671, CoJ 64 were famous as high sugared early maturing types that have improved the sugar recovery considerably."

1.113 Further highlighting their efforts to increase the productivity of sugarcane, the representatives of SBI, Coimbatore, stated that the Institute has so far covered more than 95% of the area under sugarcane in most of the sugarcane growing states in the country today and this forms the mainstay of the Indian Sugar Industry. The Co canes have not only revolutionised the Indian sugarcane cultivation but have been successful in many countries either as commercial varieties or as very useful parents for developing location specific varieties. The productivity of sugarcane increased from 30.9 t/ha (All India average for 1930-31) to 72.6 t/ha (All India average for 1998-99) despite the expansion of sugarcane cultivation to sub-optimal areas and the rapid expansion of sugar industry. The country has become the world's largest producer of sugarcane and sugar with sufficient sugar surplus for export.

1.114 When the Committee asked whether the Institute has been able to provide new variety of seeds to the farmers in various parts of the country particularly in Uttar Pradesh and Bihar where a large number of Sugar mills have been reported sick, the representatives of SBI, Coimbatore, stated as under:

> "Production and supply of seed material of new sugarcane varieties comes under the purview of the concerned State Governments and their sugarcane research organizations. Hence, Sugarcane Breeding Institute, Coimbatore, is not directly providing seed. However, Research Centres of this Institute located at Karnal (Haryana), Motipur (Bihar) and Jamkhandi (Karnataka) are providing breeder seed to the industry. Motipur Research Centre of this Institute is a testing centre for North Central Zone under the All India Coordinated Research Project on Sugarcane. Two varieties Co 87263 and Co 87268 are specially suited for Bihar conditions and are released by the Central Varietal Committee of AICRP and the seed is being multiplied and supplied. Another new sugarcane variety Co 89029

is being identified for release. Breeder Seed Production activities are being further strengthened. The whole package of practices like use of fertilizers, pesticide, etc., for the new varieties are provided as pamphlets after the release of the varieties to guide cane growers. Interaction meetings of the sugarcane development workers and factory farmers are organized periodically to provide information about package of practices for varietal adoption."

(i) Indian Institute of Sugarcane Research, Lucknow

1.115 The Indian Institute of Sugarcane Research, was established by the earstwhile Indian Central Sugarcane Committee on 16th February, 1952 for conducting researches on fundamental and applied aspects of sugarcane culture as well as for coordinating work done on this crop in different states. On 1st April, 1969, it was transferred to the Indian Council of Agricultural Research (ICAR), New Delhi.

1.116 The mandate of the Institute are as under:-

(i) To conduct basic and applied research on all aspects of production and protection techniques of sugarcane and sugar crops particularly sugarbeet for different agroclimatic zones of the country.

(ii) To work on breeding of varieties for sub-tropical region in close collaboration with Sugarcane Breeding Institute, Coimbatore.

(iii) To develop close linkages with State Agricultural Universities, State Research Stations, other national and international organizations for exchange of information, material and research programmes.

(iv) To organize post-graduate and other training programmes in production and protection technologies at regional, national and international levels.

(v) To provide consultancy and advisory services, to disseminate technologies to farmers, industries and other users, and to establish data-base management system.

1.117 Thrust areas of the Institute are as under:-

(i) To continue intensified efforts for high sugar and red rot resistance breeding. For this, the Institute collect germplasm from the national and international sources and should have facilities for inducing flowering to make effective crosses.

(ii) To enhance breeding efforts for evolving suitable varieties for abiotic stresses particularly waterlogging, soil salinity and drought by incorporating well-tested and proven criteria of tolerance/resistance.

(iii) To develop models for forecasting epidemics of major pests, and to intensify research on integrated pest management system with emphasis on biological control and to screen germplasm and commercial varieties for identification of resistant varieties to top borer and stalk borer. More efficient laboratory methods for multiplication and field application of *Trichogramma Chilonis* and C*otesia Flavipes* need to be developed.

(iv) Survey, surveillance, uniform system of identification physiologic races of the red rot pathogen at all India level and standardization of effective and rational screening techniques against important diseases. Intensification of work on biological and cultural control and exploration of the possibility of including these components in the integrated disease management programme with minimum use of chemicals.

(v) To develop agronomy for seed crop production, high sugar varieties and for unfavourable situations, namely, late planting, waterlogging, salinity and drought.

(vi) To evolve suitable water management practices with a view to minimizing incidence of waterlogging and salinity often resulting from faulty use of irrigation water.

(vii) To intensify work on integrated nutrient management including the use of organic manures and biofertilizers for sugarcane based cropping systems and to evaluate the nutrient dynamics, recycling their residual effect, balance sheet and other related aspects with reference to the secondary and trace nutrients besides the major elements.

(viii) To give high priority for development of harvesters and planters for small farmers.

(ix) To promote diversification of sugarcane farming for sustaining soil fertility, higher total productivity and environmental protection.

(x) In order to facilitate rapid transfer of improved technologies for adoption by the farmers, the Institute will take appropriate steps to publicise the same through All India Radio, television and other media at the national level, and to conduct more adaptable trials on the target farmers' fields.

1.118 Technologies developed by the IISR which revolutionised sugar production are as follows:-

(i) Three Tier Seed Programme for production of healthy seed-cane

(ii) Spaced Transplanting Technique (STP) for late summer planting and production of seed-cane

(iii) Diversification of sugarcane based cropping system

(iv) Sugarcane variety Co Lk 8102-contribution to sugarcane acreage has increased over 50% in many factory zones.

(v) Mechanisation of sugarcane cultivation – cutter-planter and minor implements developed to assist sugarcane-farmers.

1.119 This Institute has been identified as one of the centers by the Department of Agriculture and Co-operation, Ministry of Agriculture, GOI, for implementing centrally sponsored scheme on "Sustainable Development of Sugarcane-based Cropping Areas". Breeder's seed production, frontline demonstration and national-level training programmes are the components of this scheme, and it is in operation since 1996-97.

1.120 Some of the achievements of the IISR are as under:-

a. intercropping of mustard in autumn planted sugarcane is becoming popular and increases profitability per unit area.
b. Sugarcane CoLk 8001 and CoLk 8102 have been recommended for cultivation in the uplands of the northwestern India. The former has also been released for commercial cultivation in Gujarat.
c. A profusely flowering mutant of CoJ 64, a high sugar and early ripening variety has been developed which is being used in breeding programmes.
d. Spaced Transplanting Technique (STP) & trench method developed for good succeeding ratoon crop.

e. Rejuvenation of decling varieties like Co 312, Co 1148, Co 1158, Cos 510, CoC 671, etc. through tissue culture.
f. Culter-planter – a multipurpose armour for the use of sugarcane farmers.

1.121 The Institute has also been identified by ICAR I as the lead institution for implementation of National Agriculture Technology Project (NATP). Under Irrigated agro-eco-system, the following 5 research programmes of sugarcane based production have been allocated to the IISR:

(i) Diagnostic survey for study of sugarcane based production system constraints
(ii) Tillage techniques to enable timely planting of sugarcane after wheat harvest
(iii) Elucidation of causes and mechanism of iron chlorosis in sugarcane
(iv) Weed management in sugarcane based cropping systems
(v) Management of intercrops in sugarcane

Various ICAR Institutes and State Agricultural Universities have been identified as cooperating centers.

(ii) National Sugar Institute (NSI), Kanpur

1.122 NSI is a subordinate establishment of the Department of Food & Public Distribution engaged in providing technical education in various branches of sugar engineering, alcohol technology and other allied industry by-product utilization etc. The Institute has a research farm and an experimental sugar factory for training of students. On the basis of findings of research work carried out by different divisions of the Institute, 12 research papers were published by faculty members of the Institute in Indian and International Sugar Journals.

1.123 Brief particulars regarding the number of research schemes and the number of students trained from 2000-2001 onwards are given below:-

		1999-2000	2000-2001	2001-2002	2002-2003
(i)	No. of research schemes implemented	---	02	---	---
(ii)	No. of students trained	119	174	148	147

1.124 Experts of the Institute visit factories on payment of prescribed fees to investigate the problem referred to them and render technical advice. During 2002-2003, 30 sugar factories were visited under advisory services and 11 under extension services.

(iii) National Institute of Sugarcane And Sugar Technology, Mau

1.25 The Budget allocation and actual expenditure of this Institute from the year 1993-94 are as under:-

(Rs. in lakh)

Year	Budget Allocation	Actual Expenditure
1993-94	305.10	9.54
1994-95	525.00	11.67
1995-96	753.00	263.73
1996-97	852.00	162.81
1997-98	773.00	419.05

1998-99	873.00	288.07
1999-2000	775.00	127.42
2000-2001	665.00	161.64
2001-2002	100.00	29.18
2002-2003*	---	---

* No separate budget allocation in respect of NISST, Mau was made in the Demand for Grants.

1.126 The Central Monitoring Group (CMG) in its meeting held on 27-01-2000 recommended as under:-

> " As the National Institute of Sugarcane and Sugar Technology, Mau has not yet fully developed as an Institution, though a substantial investment has been made in infrastructure like buildings, the group strongly recommends the winding up of this Institution and transfer of the buildings along with land to any Central Agency which is looking for accommodation in this area. If no such central institution shows any interest, the Department should also explore the possibility of transferring the assets to the State Government. The specialized functions, if any, which are to be performed by this Institute could as well be entrusted to the NSI, Kanpur which has a good track record in promotion of sugar technology and in training of personnel for eventual employment in sugar industry."

1.127 Pursuant to the above recommendation, the feasibility of transferring this Institute to the Ministry of Agriculture, which is primarily concerned with agricultural research, was examined. The modalities of transfer of this Institute to ICAR under the Ministry of Agriculture have been finalized. ICAR have obtained the approval of the Planning Commission for setting up the National Bureau of Agriculturally Important Micro-Organisms (NBAIM) at Mau. The Department of Food and Public Distribution have communicated transferring of infrastructure as well as the posts (including incumbents of NISST) to ICAR w.e.f. 1.4.2003.

1.128 In addition to above main 3 organisations, about 50 sugarcane centers/farms/laboratories were also established by different State Governments for raising and supplying adequate cane seed to farmers for commercial cultivation. These units work on local problems related to cultivation of cane.

(iv) Vasantdada Sugar Institute (VSI) Pune

1.129 During 1950's and 1960's, rapid expansion of sugar industry occurred in the southern part of the country in general and on the Deccan plateau in particular. The number of sugar factories in Maharashtra went up from 12 (1950) to 52 (1974-75). A wide gap, thus, developed in technical requirements of the industry and the assistance actually available from the existing research institutions. To bridge the gap, Vasantdada Sugar Institute (Formerly Deccan Sugar Institute) was established. The principal aims and objectives of VSI are as under:-

(a) To provide technical education and training in branches of sugarcane development, sugar chemistry, sugar technology, sugar engineering, by-products and allied fields.

(b) To carry on research on problems of sugar industry in the field and factory.

(c) To carry on research on the utilization of by-products of sugar industry.

(d) To provide advisory, extension and information services to sugar industry.

1.130 VSI is recognized by Government of India as a Centre of Advanced Research. It is also recognized as a centre for undertaking research leading to Ph.D. degrees of various universities. VSI laboratories have been recognized by the Central and State Pollution Control Boards. VSI is also one of the few centers for analyzing sugar samples according to International norms. The Institute also serves as the national level drip material testing laboratory from the Bureau of Indian Standards, Government of India.

1.131 VSI is a member of the World Sugar Research Organisation (WSRO) which is primarily engaged in evolving measures for increasing world sugar production and for augmenting per head consumption of sugar.

1.132 The Institute is also a recognized volunteer centre under All India Co-ordinated Research Project in Sugarcane (AICRPS) since 1987. Regular programmes in sugarcane breeding are, therefore, conducted in the Institute aimed mainly at evaluation of the early mid and late maturing sugarcane genotypes.

1.133 The Institute is also a member of the International Consortium for Sugar Biotechnology, ICSB. Recently, it has signed an MOU with the Texas Agricultural Experiment Station (USA) and also with the Centre of Internal Co-operation in Agricultural Research for Development (France).

1.134 VSI's R & D programme aims at assessing and meeting the current as well as the future needs of sugar industry in the context of prevailing socio-economic conditions of the country. In ultimate analysis, it provides qualitative and quantitative data for more efficient use of men, machines and materials. VSI's current interests include, among others, development of promising sugarcane varieties through biotechnology, water conserving irrigation systems, eco-friendly methods of crop production and crop protection, reduction of sugar losses in factories, co-generation of power, energy audit, pollution abatement measures, application of modern development of by-products.

1.35 Extension Services and consultancy is the most important activities of the Institute. Important among these are the preparation of new/modernization/expansion project reports, technical audit and performance evaluation of factories, market information and viability studies, vetting of proposals prepared by outside agencies, inspection of new as well as existing units and technical assistance to factories, government agencies and private as well as public organizations in areas of sugarcane agriculture, sugar and by-products manufacturing.

1.136 Another important activity under extension service is the supply of good quality, healthy sugarcane seed to farmers. The seed is supplied in the form of sets or as tissue-cultured plantlets. The Institute also makes available to farmers the biofertilizers, vermicompost, and earthworms. Certain useful insects are also supplied in the form of egg-cards for the biological control of pests.

1.137 In its two and a half decades of existence, VSI has churned out a large number of research papers, completed several projects, developed diagnostic and control systems, brought about process optimization and obtained patents. Notable among its achievements are automatic drip irrigation system for cane, vermicompost from farm waste, biofertilizers, biological control of pests and diseases, development of cane varieties through tissue culture, microprocessorbased pH control, on-line estimation of brix using nucleonic density meter, automatic estimation of moisture in bagasse, development of by-products like oxalic acid and sugar esters, reduction in the factory sugar losses and improvement in the quality of sugar during processing.

1.138 During the visit of the Committee to VSI, Pune, during 2002, the representatives of the Institute stated that in order to make sugar industry competitive, our efforts are required to be directed to the following objectives in short span of time:

Improvement in cane yield> 100 tonnes/ha

Improvement in sugar recovery > 11% on cane

1.139 In view of the foregoing, extensive research efforts will be needed in areas of crop production, land management, irrigation, energy production and saving, biotechnology, mechanization, manufacturing practices and information technology. In this pursuit, the existing as well as emerging technologies will have to be exploited to the fullest extent. They further stated that the overall expenditure on R & D in our country in relation to GNP is below 0.05% as against 1.5 % to 2.0 % in advanced countries. It is often alleged that the sugar industry has hardly been as conscious of R &D as it should have been. The present input in R & D in sugar industry is less than 0.08% of its sales turn over as against 0.63% in drugs and pharmaceuticals, 0.45% in food processing industry and 0.51% which is the combined average of 38 different industries in India. This reflects the absence of long term view on the industry's development and expansion. In an attempt to achieve fast development, the industry in the past, often took recourse to borrowed technology. This may be economically justifiable too in short run. But there can be no denying the fact that in long run, a sound policy of industrial development can be evolved only on the basis of indigenously developed technology. Seeds of further development must be sown in our own soil. In other words, there must be continued search of technologies and sustained efforts for their appropriation. But their progress is often slowed down as they are inadequately funded.

(e) Maintenance of buffer Stock

1.140 The Government of India defrays expenditure for the purpose of building up and maintenance of buffer stock of sugar with a view to stabilizing the price of sugar. The Government has created a buffer stock of 20 lakh tones for a period of one year from 18.12.2002 to 17.12.2003. The Central Government will pay buffer subsidy towards interest, insurance and storage for maintaining the buffer stock. This will involve an outgo of Rs. 412 crores (approximately) from the Sugar Development Fund. An additional amount of Rs. 374 crores would be released by banks on account of buffer stock. This fund will be used exclusively for payment of cane price dues to sugarcane growers and while submitting their claim for buffer subsidy, the sugar factories are required to submit a certificate from bank as well as concerned State Governments confirming that the amount of buffer subsidy received from the Government has actually been utilized for cane payment. The buffer stock of 20 lakh tones have been allocated to all the sugar factories who were holding stock as on 31.10.2002.

1.141 In order to enable the sugar factories to clear the arrear cane price dues, the Government has further decided to pay 75% of the buffer subsidy as advance under exceptional circumstances vide notification dated 06.10.2003. The latest status of the processing of the buffer subsidy claim is as follows.

1.142 So far, the Directorate of Sugar has received complete claims for payment of 75% advance from 200 sugar factories, which are being processed for expeditious disbursement of subsidy. During official evidence before the

Committee, the representatives of Ministry stated that no amount on account of buffer subsidy has been disbursed to sugar mills as yet.

(f) Bagasse based co-generation

1.143 Ministries of Non-Conventional Energy Sources (MNES) and Indian Renewable Energy Sources (MNES) and Indian Renewable Energy Development Agency (IREDA) have made considerable progress in promoting cogeneration of power in the Sugar Industry, the potential for which is estimated at 3500 MW.

1.144 Considering the potentiality of bagasse based cogeneration of power by sugar industry as mentioned above and the need to improve the viability of sugar industry through value added by product, the Government of India amended the SDF Act. 1982, extending the application of SDF loans to cover bagasse based co-generation projects.

1.145 According to amended rules, financial assistance for bagasse based co-generation projects is provided to those sugar factories who are having installed capacity of 2500 TCD. The loan is provided to cover the promoters' contribution minus 10% is provided from SDF. The rate of interest is 6% per annum with a provision of additional interest @ two and half per cent per annum for the period of default.

1.146 The repayment of SDF loan is in ten half yearly instalments after a moratorium period of 3 years. The disbursement of the loan shall be through the Financial Institutions.

1.147 The physical achievements under the bagasse based co-generation since inception is that the power has become surplus by 367 MW of power under 48 projects has been realised which has become surplus. 20 nos. of sugar mills have been provided Central Financial Assistance out of which 3 nos. of sugar mills have been provided capital subsidy and 17 no. of sugar mills have been provided interest subsidy on the term loan taken by them from Financial Institutions including IREDA for setting up such co-generation projects. Pattern of existing Central Financial Assistance/Incentives for setting up of Co-generation projects is as under:-

S. No.	Bagasse based Co-generation	Pressure Configuration	Interest Subsidy	Maximum Subsidy per pruject (In Rs.)
1.	Projects by Cooperative/Public/ Joint Sector Sugar Mills	40 bar & above	3%	4.00 Cr.
		60 bar & above	4%	
		80 bar & above	5%	
		100 bar & above	6%	
2.	Projects in IPP Mode in Cooperative/Public/Joint Sector Sugar Mills	60 bar & above	2%	
		80 bar & above	3%	
		100 bar & above	4%	
3.	Projects by Private Sector Sugar Mills	60 bar & above	1%	
		80 bar & above	2%	
		100 bar & above	3%	

For projects by cooperative/public sector/joint sector sugar mills in the first category, the floor rate of interest shall not be lower than 6%. For projects under the other two categories, a floor rate interest of 8% shall apply.

1.48 The Ministry have submitted that the main hurdles and the constraints in implementation of Bagasse based cogeneration projects are:

(i) Inadequate policy support for preferential pricing, wheeling and banking for biomass and bagasse based power projects in some States.

(ii) Inadequate availability of financial resources, especially with cooperative sugar mills.

(g) Gasohol / Ethanol

1.149 It was after considering the wide range of positive implications of the use of ethanol as a blend with petrol that the Hon'ble Finance Minister announced a subsidy of Rs. 0.75 per litre on the surcharge on ethanol doped petrol in the Budget for 2002-2003. Subsequently, the Government of India amended the Sugar Development Fund Act (SDF) 1982 to extend the application of SDF to sugar factories or units thereof for production of anhydrous alcohol or ethanol from alcohol.

1.150 The Government had planned the Gasohol programme in four phases. In the first phase it had planned to launch 5% ethanol blended petrol from January 1, 2003 in nine States viz. Andhra Pradesh, Goa, Gujarat, Haryana, Karnataka, Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh and four Union Territories of Dadra and Nagar Haveli, Daman and Diu, Pondicherry and Chandigarh. In the second phase, the entire country was to be covered by September 2003 and in the third phase i.e. from October 2003. The ethanol content was to be increased to ten percent. However, the Government could mandate the 5% ethanol blended petrol only in four States of Andhra Pradesh, Maharashtra, Punjab and Uttar Pradesh as per schedule on January 1, 2003. This set back has mainly been because of many sugar factories who has desired to go for ethanol production, were not being able to do so because of lack of infrastructure. The NFCSF in a note furnished to the Committee had desired the applicability of SDF for setting up distilleries too.

(h) Export of Sugar

1.151 As per Directorate General of Commercial Intelligence and Statistics, (DGCI&S), Kolkata, during financial years 2001-2002 and 2002-2003, the export of sugar from India were as given below:-

Financial year	Quantity (In M.Ts)	Value (In Rs. crores)
2001-2002	14,56,221	1728.04
2002-2003	14,70,926	1693.19

1.152 When the Committee asked whether any disparity . hurdles is being experienced in export of sugar; the Ministry in their written reply submitted as under:

" The export of sugar is allowed under the Open General Licence (OGL) under the present EXIM policy and as such various sugar mills . exporters are exporting sugar as per their commercial judgement. The International prices of sugar have been going down over the last 9 months. In order to encourage exports of sugar, the Central Government has announced the following incentives:

(i) The sugar meant for export has been exempted from the levy obligation.

(ii) The quantity of sugar released for export is treated as an advance free sale release to be adjusted in the free sale stocks of the sugar factories after a period of 18 months.

(iii) DEPB at the rate of 4% F.O.B. value of export of sugar.

(iv) Defraying expenditure on internal transport /freight charges to the sugar factories @ Rs. 1000 per tonne) on export shipments of sugar and neutralization of ocean freight disadvantage @ Rs. 350 per tonne) on exports.

(v) Reimbursement of handling and marketing charges at the rate of Rs.500 per tonne on the export shipments."

(E) EFFORTS MADE FOR REVIVAL OF SICK SUGAR INDUSTRY

(a) <u>Private and Public Sector Sugar Mills.</u>

1.153 Board of Industrial and Financial Reconstruction (BIFR) was set up by the Central Government on January 12, 1987 under the provisions of section 4 of the Sick Industries Companies (Special Provisions) Act. 1985 (SICA) BIFR became fully operational from May 15, 1987. As per the provisions of SICA (as amended in February 1995), a sick industrial company is one which has been registered for not less than five years and has at the end of any financial year accumulated losses equal to or exceeding its net worth. Initially, SICA did not cover public sector industrial companies. An amendment to SICA in December, 1991 brought such companies under purview of the Act and BIFR.

1.154 The references received by the BIFR are dealt with by it under the provisions of SICA. The BIFR formulates a revival scheme wherever feasible incorporating reliefs/concessions/sacrifices, provisions of additional funds etc. by the administrative ministry or the State Government banks/financial institutions, workers etc. and sanctions/approves a revival scheme under SICA with the consent of all concerned. Under section 19 of the Act, all those who have to give relief's and concessions have to concur in a rehabilitation scheme and cannot be overruled by BIFR even if BIFR feels that a company is revivable. In cases where a rehabilitation scheme is not feasible and BIFR after making inquiry under section 16 of SICA and after consideration of all the relevant facts and circumstances and after giving an opportunity of being heard to all concerned parties, is of the opinion that it is just and equitable that the sick industrial company should be wound up, it may record and forward its opinion to the concerned High Court. Though the Act says that the concerned High Court shall wind up the company recommended by BIFR for closure, the Supreme Court in a judgement has laid down that High Courts can still consider the matter and decide to confirm the winding up or not.

1.155 In giving their consent for a revival scheme formulated by the BIFR, while banks/financial institutions (FIs) follow the Reserve Bank of India (RBI) guidelines on the subject, the administrative ministry/State Government obtain the approval of the competent authorities.

1.155 Under the provisions of SICA, BIFR may monitor periodically the implementation of the schemes sanctioned by it. During the course of review of the implementation of the rehabilitation schemes sanctioned by it for the revivial of sick industrial companies, certain instances of non-compliance with the provisions of the rehabilitation scheme by the promoters, financial institutions and banks due to various reasons have been noticed.

1.157 Monitoring agencies have been directed by BIFR to send progress reports regarding the implementation of the rehabilitation schemes on time to enable the BIFR to initiate timely remedial measures, wherever necessary. It may also be added that in case of failure to comply with the provisions of the sanctioned schemes, BIFR has power to invoke penal provision as provided under SICA. However, BIFR has no power to punish itself and has to file a case under this provision in the competent court.

1.158 There are a number of factors, which cause delay in disposal of cases by the BIFR. These factors include the following:-

(i) To determine viability, a rigorous techno-economic analysis of the case is done in conformity with the detailed guidelines framed by BIFR.

(ii) Being a quasi judicial body , opportunity has to be given to all interested parties to make their submission before a decision is taken.

(iii) In spite of the guidelines issued by the RBI the Financial Institutions and Banks have been increasingly hesitant to increase their exposure in the sick company thereby impeding the process of rehabilitation of sick companies even wtihin the given guidelines;

(iv) BIFR has to obtain consent of every agency involved in the rehabilitation, an every possibility of rehabilitation is to be explored until it is proved non-viable.

(v) Non-compliance or delayed compliance with the directions of the Board by the sick companies, Operating Agencies, Financial Institutions/Banks.

(vi) Delays have also been observed in certain cases where the Central /State Governments are required to convey their final views regarding capital restructuring, induction of additional capital, grant of reliefs and concessions etc.;

(vii) Appeals are filed before Appeallant Authority of Industrial and Anancial Reconstruction AAIFR even against the interlocutory orders of the Board and the process of rehabilitation is delayed inordinately.

(viii) The Number of references received has substantially increased after 1997, but because of lack of Benches, number of cases of remain pending.

1.159 Since the revival plan under BIFR takes considerably long time. To overcome this problem when the committee asked about the mechanism being adopted for speedy revival, the Ministry in their written reply furnished as under:

"It has been intimated by the BIFR that, as per the provision of the Sick Industrial Companies Act, 1985, (SICA), the following time limits are laid down for dealing with cases, at different stages of the proceedings:-

(a) Filling of reference by sick companies :	60 days from the date of finalization of the duly audited accounts.
(b) Inquiry by the Operating Agency (OA)	60 days
(c) Preparation of Rehabili--tation schemes by the OA.	90 days
(d) Circulation and sanctioning of schemes by the Board	60 days
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Total	270 days.
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1.160 Further, on occasion, the Schemes are required to be further modified in “genuine” cases where, despite efforts, the company could not be revived in the stipulated time. The Companies can go in appeal before the AAIFR and further approach the Hon’ble High Courts/Supreme Court by invoking constitutional writ jurisdictions. Such cases can be remanded and the entire procedure is required to be followed again; in such cases, the proceedings remain pending for comparatively longer periods with the BIFR.

1.161 As per the information provided by the Board for Industrial and Financial Reconstruction (BIFR), 08 cases of sick sugar companies registered with the Board have been ‘declared no longer sick’ after satisfactory implementation of the Rehabilitation Schemes sanctioned by the Board. The names of those sugar companies are as follows:

Sl.No.	Name of the company	State
1.	Challapalli Sugar	Andhra Pradesh
2.	Davanagere Sugar Co.	Karnataka
3.	Godavari Sugar Mills	Maharashtra
4.	Kirlampudi Sugar Mills	Andhra Pradesh
5.	Bhagwanpura Sugar Mills	Punjab
6.	Ramnuger Cane (Khaitan Agro Complex)	West Bengal
7.	Cauvery Sugars & Chemicals Ltd.	Tamil Nadu
8.	Sree Kailas Sugars & Chemicals Ltd.	Andhra Pradesh

1.162 Ministry of Consumer Affairs, Food and Public Distribution have stated that to do away with the anomalies of BIFR the Central Government has initiated a proposal to repeal SICA, 1985 and dissolve BIFR / AAIFR. The task of rehabilitating sick industrial units is proposed to be vested in National Company Law Tribunal by amending the Companies Act, 1956. The Companies (Second Amendment) Bill 2002 has since become an Act of Parliament.

(b) Cooperative Sugar Mills.

1.163 While BIFR was made a referral point for sick sugar industry of pubic and private sector, no such mechanism existed for sugar mills of cooperatives sector.

1.164 A Committee under the Chairmanship of the Secretary (erstwhile Department of Sugar and Edible Oils) with members from Department of Agriculture and Cooperatives, NCDC, NABARD, IFCI, STM, NFCSFL and involving representatives of State Government was constituted in April, 2000.

1.165 The Committee held its meeting on 24.7.2000 and requested the members to identify the areas and the reasons of sickness of cooperatives sugar mills in the States. A sub-committee consisting the members as Director (SDF), Director (STM) and representatives form NCDC and NFCSF was also constituted.

1.166 On the recommendation of the Committee SDF has been amended. A Committee for Rehabilitation under the Chairmanship of JS (sugar) has been constituted. The Committee have been entrusted the work of considering the relevant proposals and recommend measures for rehabilitation of Sugar Undertakings in the Cooperative Sector. The Committee have the following as members :

Sl.No	Designation/Department	
1.	Joint Secretary (Sugar), Department of Food & Public Distribution	**Chairman**
2.	Mission Director, Sugar Technology Mission of Technology Information Forecasting & Assessment Council	Member
3.	Managing Director, National Cooperative Development Corporation	Member
4.	Managing Director, National Bank for Agriculture & Rural Development.	Member
5.	Secretary to the State Government in which the sugar factory is situated	Member
6.	Managing Director, National Federation of Cooperative Sugar Factories	Member
7.	Director (Finance), Department of Food & Public Distribution	Member
8.	Chief Director, Directorate of Sugar, Department of Food & Public Distribution	Secretary

1.167 When asked about the contribution of Committee for Rehabilitation constituted for cooperative sugar mills, the Ministry in their written reply submitted as under:-

> "The Cooperative sugar mills fall under the Cooperative Societies Act of respective States. The state Governments are expected to prepare suitable rehabilitation schemes for the revival of sick cooperative sugar mills, with or without the participation of the financial institutions including the National Cooperative Development Corporation (NCDC). The Committee constituted for rehabilitation of sick sugar mills is required to consider the relevant rehabilitation proposals submitted by the State Governments and recommend measures for rehabilitation of the potentially viable sugar mills in cooperative sector. With a view to assist the said Committee, there is a Sub-Committee to identify the reasons for sickness and finalize a package of assistance for rehabilitation of the sick cooperative sugar mills for placing before the main Committee. The Sub-Committee considered the proposals of some sick sugar mills earlier

submitted by the State Governments and made recommendation on pattern of funding to the potentially viable units on the lines of STM sponsored projects, i.e., financing upto 60% for the project cost with a lower rate of interest i.e., 6% with a longer moratorium and repayment schedule. However, the SDF Rules, 1983, did not provide for any financial assistance for potentially viable sick sugar mills. On the recommendation of the Sub-Committee, the SDF Rules, 1983 earlier were amended vide notification dated 19.08.2002 and this has empowered the Government to give loans to the sick sugar mills of the Cooperative Sector also from SDF for their revival.

The proposals submitted earlier by the State Governments were required to be updated and the concurrence of the State Governments & Financial Institutions / Banks in respect of concessions / reliefs sought for from them in the rehabilitation proposal are to be obtained. For this purpose, the State Governments have been requested to send fully tied up proposals for consideration of the Committee. So far no updated proposals, fully tied up, have been received from any of the State Governments despite the reminders issued on 09.04.03 and 01.09.03. The Committee / Sub-Committee will examine the rehabilitation proposal of the sick sugar factories expeditiously after the proposals are received from the State Governments."

1.168 Government of Maharashtra have got conducted a study by Vasantada Sugar Institute (VSI) to analyze the possibilities of the revival/rehabilitation of the sick sugar mills in cooperative Sector. No such study has been conducted by the Government of India. In this connection When the Committee asked whether sickness in sugar industries particularly Public and Cooperative has increased because no timely remedial action was taken by State Governments and Central Government, the Ministry in their post evidence reply have submitted as under:-

"The sickness in sugar industry depends upon number of factors like non availability of adequate quantity of sugarcane, old and obsolete plant and mechinery, managerial efficiency, size of plant, the realization from the sale of the sugar and its by products as also price of sugarcane. In the recent past, the financial position of the sugar industry has deteriorated on account of decline in the realization of non levy sugar in the open market resulting from extra sale of sugar factories by obtaining orders from the courts'.

The following measures have been taken by the Government to improve the condition of the sugar industry:-

(i) A buffer stock of 20 lakh tonnes of sugar has been created for a period of one year from 18.12.2002 to 17.12.2003. This will enable the sugar mills to get a subsidy amount of Rs. 412 crore from the Sugar Development Fund. In addition, an amount of Rs. 374 crores would be available from the banks to the mills on account of buffer stock. Thus, a total amount of Rs. 786 crore would be provided to the mills enabling them to clear the payment of cane price due to the sugarcane growers.

(ii) In order to arrest decline in sugar prices, the Central Government have amended the Essential Commodities Act, 1955 thereby restraining the sugar mills to approach courts for obtaining orders for sale of non levy sugar in the open market. By doing so, the open market prices of non-levy sugar reached a reasonable level which in turn improved the financial health of sugar industry.

(iii) Government has amended the Sugar Development Fund Act. 1982 to enable it, inter alia, to utilize the SDF of defraying expenditure on internal transport/freight charges to the sugar factories on export shipments of sugar and neutralization of ocean freight disadvantage on exports.

(iv) Government has also decided to allow the reimbursement of handling and marketing charges at the rate of Rs. 500 per tonne on the export shipments.

(v) The Central Government had approved One-Time Assistance for an amount of rs. 678.06 crores to the States of Uttar Pradesh, Uttaranchal, Haryana, Punjab and Bihar to clear the cane price arrears of private sugar factories in respect of difference between the State Advised Prices (SAP) and statutory Minimum Price (SMP of the 2002-2003 sugar season by way of a soft loan to the said State Governments at concessional rate of interest of 4% per annum with an initial moratorium of 3 years and repayable in 3 years.

The Government has decided to extend assistance to non SAP States also by way of additional marketing borrowings to clear the cane price arrears of 2002-2003 sugar season. The main features of the scheme are as follows:

a) The State Governments would be extended financial support to meet the interest liability to the extent of difference between the Coupon Rate on the Bonds raised through additional marketing borrowings and 4%.

b) The State Governments would, in turn, extend 10 years loan to the sugar mills with a interest of 4% per annum; this loan will have a moratorium or repaying of principal and interest for a period of 5 years and would, thereafter, be repaid in 5 equal installments.

c) This assistance would be available to all Sugar mills in non SAP States and to the mills in the cooperative and public sectors in the SAP States.

d) The extent of open market borrowings would be determined on the basis of sugarcane price arrears in a given state for 2002-2003 sugar season.

(F) ROLE OF FINANCIAL INSTITUTIONS.

(a) Industrial Development Bank of India (IDBI)

1.169 In regard to credit facility to sugar Industry, the representatives of IDBI submitted that as a matter of policy, assistance to any new grass-root sugar nit is granted if it is considered viable, based on size of the unit, demand/supply pattern, sugarcane availability, yield of sugar, technical arrangements, availability of incentives, etc. Broadly, an installed capacity of 3500 TCD is considered as the economic size in the context of the present industry scenario. However, select projects of 2500 TCD with cane availability and sound repaying capacity is considered.

1.170 While modernization-cum-expansion proposals are being financed by Institutions at a debt-equity ratio of 1:1, for funding grass-root projects the debt-equity ratio is higher subject to a maximum of 1.5: 1.
1.171 The exact pattern of financing a project is decided on case to case basis depending upon its profitability. Other norms like promoters background, managerial capacity and ability to raise the stipulated promoters' contribution, financial viability, sustained availability of good quality sugar cane, etc. are examined in details at the time of appraisal.
1.172 IDBI extends assistance under Project Finance Scheme to new sugar units and also to existing units for undertaking need-based expansion / modernisatin. The existing sugar units, with good track record, are also extended assistance under the Equipment Finance Scheme and Asset Credit Scheme (ACS) for acquiring equipment for expansion or modernization. Besides, assistance is also extended under the Corporate Loan Scheme for meeting their overall corporate requirements e.g. additional margin money for working capital and normal capital expenditure necessary.
1.173 Priority is accorded to energy conservation co-generation and effluent treatment projects. IDBI also operates Asian Development Bank (ADB) line of credit for providing concenssional assistance for co-generations /energy conservation projects. The lending rate for new sugar units is the Minimum Term Lending Rate (MTLR) + 3.5 % p.a (presently MTLR is 12.5% p.a). However, assistance for projects being set up by existing companies are decided on a case-to-case basis based on risk perception including an independent rating by IDBI which inter alia takes into account the past credit record of the company, its operating results and financial position with the interest rates being within the prevailing band of 3.5 % p.a over MTLR.
1.174 The predominance of co-operative sector, uncertain supply, high price of sugar cane and regulated pricing of sugar have adversely affected the Bank's portfolio of sugar units. The number of units which turned NPAs was 47 with net loan outstanding at Rs. 1040 crore and total over dues of Rs. 296.8 crore as on March 31, 2003.
1.175 IDBI is making efforts to help the industry and also to improve the quality of its own portfolio through various measures to improve recovery and initiate timely remedial action through close monitoring IDBI holds periodic discussions with the assisted units and the State Governments for initiating measures to improve the performance of the assisted sugar units both in the private and co-operative sectors. Restructuring measures are worked out for potentially viable sick units and, wherever necessary, one-time settlements (OTS) of dues are arrived at with a view to limiting the sacrifices.
1.176 As at end-March 2003, the Bank had 87 sugar units having net outstanding loan of Rs. 739.7 crore. Of these, 57 units were in default with overdues of Rs. 440.7 crore. Further, there are 25 defaulting cases with guarantees from State Governments with an aggregate overdue of Rs. 137.7 crore, constituting 31% of total overdues.

(b) National Co-operative Development Corporation (NCDC)

1.177 NCDC is engaged in promoting amongst others, establishment and development of sugar factories with the basic objective of ensuring remunerative prices to sugarcane growers. While NCDC provides term loan assistance to the existing cooperative sugar factories for the modernization-cum-expansion and establishment of by-product units, its assistance to new cooperative sugar mills is restricted to providing investment loans to the State Governments for their participation in the share capital of new mills. The broad features of various schemes implemented by NCDC for assisting Cooperatives Sugar Factories are given in the following paragraphs;

Investment Loan assistance to the State Govts. For their participation in the share capital of new coop. Sugar factories.

1.178 In order to promote cooperative sugar factories, State Governments have been contributing in the share capital of new sugar factories. The investment loan scheme is intended to supplement the resources of the State Governments to enable them to contribute in the share capital of cooperative sugar factories. Since 1974-75 to the extent of 50% and 65% of the State Govt's equity contributed in case of mills located in normal and industrially backward districts respectively, under the Centrally Sponsored Scheme uptil 2001-02 and subsequently under Corporation Sponsored scheme.

1.179 The Corporation, w.e.f. 9.3.99, provided the balance amount of investment loan (i.e. 50% and 35%) in the case of normal and industrially backward districts respectively) also to the State Govts, under a Corporation Sponsored Scheme. Subsequent to withdrawal of Centrally Sponsored Scheme, the total amount is now provided under Corporation Sponsored Scheme.

The following pattern of assistance has been laid down for financing new sugar factories.

Source		Percentage of project cost
Equity		
-Members		10
-State Govt.		30
	Total:	40
Debt		
-Term loan from financial institutions, commercial /cooperative banks etc		60

		100

Term loan assistance to the existing Cooperative sugar factories for modernization, expansion and establishment of sugar by products units.

1.181 In order to improve the technical efficiency and overall working performance of the existing cooperative sugar factories, NCDC in the year 1988-89, launched a Corporation Sponsored Scheme for providing term loan assistance for modernisation-cum-expansion of the existing cooperative sugar factories including setting up of effluent treatment plants for pollution control. In addition, the Corporation has also been providing term loan towards establishment of projects based on by products of sugar industries such as distilleries, particle board, and bagasse based cogeneration project etc.

1.182 The funding pattern for modernisation and expansion of cooperative sugar factories and establishment of sugar by-product units is as under:

Percentage of the project cost

	Modernisation	Expansion upto 5000 TCD	Expansion beyond 5000 TCD	Establishment of sugar by product units
Term loan	50.00	50.00	65.00	65.00

from NCDC				
EQUITY -Society's contribution -Soft loan from SDF	10.00 40.00*	10.00 40.00*	35.00 --	35.00 ---
Total	100.00	100.00	100.00	100.00

* SDF assistance will be restricted to the shortfall in promoters contribution subject to a maximum of 40% of the project cost and the balance cost is contributed by the society.

1.184 NCDC is also recognized as one of the financial institutions for providing assistance under a scheme implemented by the Sugar Technology Mission (STM) in the Department of Science and Technology, Government of India for assistance to sugar mills through SDF for technological upgradation in the sugar industry with a focus on improvement in the level of technology in the various areas like reducing sugar losses, saving energy, improvement in sugar quality and capacity optimization.

1.184 NCDC has also been recognized as one of the financial institutions by the Ministry of Non-conventional Energy Sources (MNES) for routing its grant so as to reduce interest rates on term loans given by financial institutions including NCDC for co-generation projects under National Programme on bagasse based co-generation being implemented by MNES.

Term loan for margin money asistance to Cooperative Sugar Factories

1.185 The Corporation has introduced a scheme on 22.2.99 to provide margin money assistance to the existing cooperative sugar factories, so as to enable them to obtain the required working capital loans from the banks.

1.186 The quantum of margin money would vary from mill to mill and will be based on actual gap between the margin money required for raising adequate working capital for the season and the margin money available with the mill.

Short / medium term loan to Cooperatives for meeting working capital requirement

1.187 The Corporation introduced a scheme during 1997-98 for providing short/ medium term loan to cooperatives for the period ranging 1-3 years for meeting working capital requirements. The quantum of assistance depends upon the requirements of cooperatives. The cooperatives who are in operation for last 10 years, earned cash profit during past 3 years, having positive net worth, are not defaulter to any financial institution and whose minimum turn over is Rs. 5.00 crores are eligible for assistance under the scheme.

Assistance provided by NCDC to Cooperative Sugar Industry

1.188 NCDC and SDF has so far (as on 31.3.03) sanctioned and released an amount of Rs. 2070.37 crores and Rs. 1888.24 crores to the cooperative sugar industry for various activities as detailed below:

(Amount in Rs. crores)

Scheme	No. of units	Amount	Amount

	Assisted	sanctioned	released
1. Share capital to new mills	222	903.29	815.17
2. Modernisation / Expansion	60	582.89	536.29
3. Sugar Byproduct	32	96.71	96.71
4.Rehabilitation (75-76 to 85-86)	17	13.15	13.15
5.(Technical & Promotional Cell) (meeting the cost of experts)	-	0.67	0.67
6. Bridge loan against SDF sanction		27.90	27.90
7. Short /medium term loan to sugar mills for meeting working capital requirement.	14	111.35	93.35
Total	**345**	**1735.96**	**1583.24**

1.189 The Corporation has taken a decision on 16.2.2000 to provide bridge loan against SDF sanctions to the extent of 85% of the sanctioned SDF assistance basically with a view to enable the mills to expeditiously complete the projects.

1.190 At present, there is no scheme of NCDC for assisting towards rehabilitation of sick cooperative sugar mills. However, the Corporation has proposed for introducing a scheme in this regard during the 10th Five Year Plan which envisages providing subsidy to the extend of 20 % of the cost subject to a maximum of Rs. 5 crores per units restricted to purchase of plant and machinery. The same is under consideration of Government of India. Further, Soft loan from SDF to the extent of 60% of plant and machinery towards modernization/rehabilitation shall be provided.

1.191 When the Committee asked whether government should continue with sugarcane pricing policy or leave it to market to decide, the representatives of NCDC in the written note submitted as under:

"As far as sugarcane pricing policy is concerned, the Government. of India announces Statutory Minimum Price (SMP) for sugarcane at beginning of the season on the advice of Commission for Agriculture Cost and Prices (CACP) SMP for 2002-03 was Rs. 69.50 per qtl. linked to sugar recovery of 8.5% with a premium of Rs. 0.82 for every 0.1# increase in the recovery. Over and above SMP. Some of the State Governments also announce State Advised Price (SAP) applicable in their States.

To ensure payment of remunerative price to the sugarcane growers, SMP is helpful. Absence of SMP may leave the farmers at the mercy of the sugar mills and may lead to exploitation. But, while deciding SMP for sugarcane, the realisation from sugar may be kept in view so as to ensure viability of sugar mills. As far as SAP is concerned, the same may not be required as the cooperative sugar mills normally fix the cane price keeping in view of the paying capacity of sugar mills and interest of the farmers."

1.192 On being asked to ways and means to promote financial viability of sugar mills, representatives of NCDC furnished as under:

> "For ensuring financial viability of sugar mills, the net realisation from sale of sugar is important consideration. The Government may adopt certain measures to ensure that the ruling price of sugar do not fall below a certain mark which ensures liability linked to certain parameters for operational performance. In other words, if the operational performance of a sugar mill is satisfactory in respect of capacity utilisation, sugar recovery etc., it should be financially viable. Government. may also provide certain incentives and concessions for new mills in whose case, the interest liability is higher and for export of sugar. Further, the State Governments

may desist from declaring SAP for sugarcane in the interest of viability of sugar mills. For maintaining the ruling price of sugar in the open market, release mechanism should be strictly adhered to and in case of disturbances in the market price. Government may take corrective measures by increasing / decreasing the quota of sugar in open market".

1.193 Whenever an application for financial assistance is submitted for setting up a Sugar Unit, the financial institutions like IFCI, ICICI and IDBI carry out a detailed appraisal including cost benefit analysis to ascertain the viability.

1.194 Financial institutions have a detailed system for appraising projects before sanctioning financial assistance to any unit. The project appraisal covers various areas including promoter evaluation, technical assessment, detail analysis of cost of project, projection of future profitability based on cost parameters as well as likely future trends, and evaluation of market. In respect of sugar projects, apart from these areas, considerable emphasis on aspects relating to sugarcane availability, recovery rate, number of crushing days available and cane development programme are given.

1.195 The risk relating to future financial projects is evaluated by taking into account the financial and profitability indicators for the project and the level of competitiveness, in both domestic and international market. The other parameters used for evaluation of project are internal rate of return, debt service coverage ratio, economic rate of return and affective rate of protection. One of the important tools of carrying out cost benefit analysis is the calculation of internal rate of return (IRR) where the project cost and benefits from the project in the form of future cash, flows are compared. Before loan is sanctioned, technical feasibility and financial viability of the project is assessed.

PART B

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

1. **The Committee note that viability of a sugar mill depends on sugarcane development programme in the command area of that sugar mill. For this strong relationship between the farmers and the Sugar mills is a pre-condition. However, the Committee feel that though there is provision of loan for cane development out of Sugar Development Fund (SDF), no substantial effort seems to have been taken by Sugar Mills in this regard. It has also come to the notice of the Committee that the loans taken out of SDF are not passed on to sugarcane farmers resulting in inadequate availability of sugarcane in the area of sugar mills. As a result thereof, the mills are pushed towards sickness. The Committee further note that the short term loan scheme of the Government to enable the farmers to purchase seeds, fertilizers and pesticides continued only for a very short period of five months from 21.11.97 to 31.3.1998. This has also affected the cane availability in the area where mills are situated. The Committee, therefore, recommend that the cane development programme should be accorded priority and necessary measures should be taken to ensure that the loans availed of by the sugar mills are actually passed on to Cane grower before ensuing season. Further, short term loan scheme for inputs like Seeds, Fertilizer and pesticides be revived at the earliest for the benefit of the farmers.**

2. **The Committee have been informed that as on 30.9 2003, there are 165 sugar mills which have capacity less than 2000 TCD. 223 sugar mills have capacity between 2000-2500 TCD and 35 sugar mills have capacity between 2500 –3500 TCD. At present the sugar mills having the capacity of 3500 TCD and more are considered to be viable. The Committee are of the opinion that in order to maintain economic viability, all the sugar mills of uneconomic size will require expansion in capacity and upgradation in technology failing which they will become sick . The Committee, therefore, recommend that the Central Government should take up the matter with State Governments and concerned sugar mills to prepare a comprehensive programme for expansions/upgradation of technology of the sugar mills of uneconomic size.**

3. **The Committee are concerned to note that presently 367 MW of power is being generated through bagasse based co-generation projects though there is vast potential for co-generation of power with baggasse upto 3500 MW. However, due to lacklustre approach of the State Govts./ Electricity Boards, the generated power is not being properly utilized and has thus become seemingly surplus. The main hardle coming in way of bagasse based co-generation projects are stated to be inadequate policy support for preferential pricing. The State electricity Boards / Corporations are also not coming forward to buy power on commercial rates. Further, the cooperative sugar mills have inadequate availability of financial resources to take up the project. The Committee, therefore, recommend that the State Governments and their Electricity Boards / Corporations be persuaded to purchase the surplus power on reasonable rates. To**

overcome the financial problems being faced by the Mills, the Committee desire that in addition to providing loan out of SDF, matter regarding setting of more cogeneration projects should also be taken up with Ministry of Non-conventional Energy Sources on priority.

4. The Committee note that the economic utilisation of by-products of Sugar is of utmost importance and can improve the viability of Sugar Mills to a large extent. Thus there is a need to develop the Sugar Industry as Sugar Complexes with complete value addition facilities for by-products so that it should not remain only Sugar Manufacturing centres. The Industry should, therefore, be developed as a renewable energy producer and supplier of chemicals apart from being a mere sugar producer. The Committee, therefore, recommend that a suitable long term policy should be evolved wherein ethanol, apart from being extracted from the molasses, is directly produced from secondary sugarcane juice over and above the domestic consumption. For this, the matter should also be taken up with the Ministry of Petroleum and Natural Gas and Oil Companies so that the production and consumption of ethanol be encouraged in the country. This will also go a long way in not only in reducing the sugar production marginally but also making the sugar mills economically viable.

5. The Committee note that the production of Sugar during the Sugar season 2002-2003 was about 200.99 lakh tonnes. While the estimated internal consumption was to the tune of 185.00 lakh tonne. As on Ist October, 2003, the opening stock of sugar was 102.65 lakh tonnes. If the same trend continues, during the sugar season 2003-2004, the country will have about 110 lakh tonne of surplus stock of sugar. The Government have removed quantitative restriction on export of sugar and about 14,70,926 MTS of Sugar has been exported during 2002-2003. The Committee feel that the quantity of sugar exported is not enough to mitigate the problems of sugar industry and hence a lot requires to be done by the Government in this regard. The Committee, therefore, recommend that keeping in view the need of bufferstock, the quantity of sugar over and above domestic consumption needs to be exported. For this, Government should provide necessary incentive by increasing internal transport subsidy, ocean freight assistance and handling charges till the situation of glut normalizes in the country.

6 It has come to the notice of the Committee that the performance of the existing co-operative sugar mills in repaying loan is extremely unsatisfactory. Despite providing need based relief, these Sugar units continue to default on institutional dues. The State Governments which have given guarantees to the sugar mills are also not honouring their commitment. The Committee feel that matter needs to be urgently addressed as appropriate funding support needs to be provided to the concerned sugar mills by the State Governments to clear institutional over dues. The Committee, therefore, desire that matter may be taken of with this concerned State Governments so that Financial Instituions may entertain the request for assistance to new/sick sugar mills. For this, matter, may also be taken up with the management of sugar mills to improve their functioning. Besides since a large number of sugar mills are saddles with the problem of sickness which has occurred due to lack of

professionalism and managerial in efficiencies, these maladies need to be addressed urgently, so as to introduce an element of functional efficiency in these units.

7 The Committee are much concerned with the plight of Cooperative Sugar Mills for whose revival no substantial effort has yet been done by the Government. The Board of Industrial and Financial Reconstruction (BIFR) was constituted initially for private sector Sugar Companies and later public sector Sugar Mills were also brought under its ambit in 1991. However, cooperative Sugar mills were not placed under BIFR even at that time. This clearly shows that the Government were not very much concerned with revival of Cooperative Sugar Mills having negative net worth. Though, a Committee under the Chairmanship of Secretary (Food) was constituted in the year 2000 and subsequently a Committee under the Chairmanship of Joint Secretary (Sugar) has also been constituted in April, 2003, however no substantial achievement has been noticed as not a single fully tied up proposal has yet been received by the Ministry in this regard. Though the prime responsibility of revival of Sugar Mills lies with their Management, the Government are also equally responsible due to their existing regulation from cultivation of sugarcane to sale of sugar in the Market. The Committee, therefore, recommend that the Ministry should make sincere and positive efforts for revival of all potentially viable sick sugar mills in close co-ordination with Sugar Mills, Financial Institutions, Research Institutes and other concerned Departments of Central and State Governments. For this, a nodal agency having representatives from these organisations may also be formed. The Government should also ensure that no discrepancy should remain in working of the proposed National Company Law Tribunal as existed in Board of Industrial and Financial Reconstruction (BIFR). Efforts should be made to constitute and make functional the National Company Law Tribunal without further loss of time.

8. The Committee note that though Government are providing internal transport subsidy, Ocean Freight assistance and handling charges, only about 14 lakh of tonne of Sugar has been exported and the Sugar industry has not come out of its present crisis. Presently the Sugar meant for distribution through PDS to BPL population is not being lifted. The Committee feel that there may be substantial lifting of sugar if the scope of distribution is again extended to APL people too and that too at low a price ranging between Rs. 12/- and Rs. 13/- per kg. This step may increase the consumption of sugar within country. The Committee, therefore, recommend that the Government should increase levy percentage and distribute the sugar through Public Distribution System to APL people too at a rational price so that the sugar industry should come out of the present crisis. For this, if need be, the recommendations of the Mahajan Committee may be reviewed. Besides, in order to reduce the stocks of sugar, more retail outlets should be opened at factory premises as well in Taluks/Districts, Metropolitan cities and sugar should also be transported directly to deficit States particularly North Eastern States.

9. The Committee note that general reduction of distance between two sugar mills of 15 km is also pushing the sugar mills towards sickness.

Such a restriction is also causing hurdles in expansion of sugar industry to the higher capacity. The Committee feel that this general criteria of 15 km distance is coming in way of viability of sugar mills. The Committee, therefore, strongly recommend that distance between sugar mills should be variable depending upon their tonne sugarcane crushing capacity per day in order to improve their financial health.

10 The Committee note that the sugar industry is presently in a precarious position with huge cane price arrears of 1875.91 crores and the new crushing season has commenced. In sugar industry bank releases funds on the basis of hypothecation of sugar produced as per the normative prices announced by Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) at the beginning of each season. Due to huge carry over stocks and substantial reduction in the prices of sugar, the margins of cooperative and other banks, which financed sugar mills, has been eroded. The Committee, therefore,, recommend that assistance / loan may be released to State Governments / sugar mills to liquidate cane price arrears. For this, the Central Government may take up the matter with financial Institutions so that sugar mills may get soft credit on long term basis to pay cane price arrears. The Committee are also given understand that the Directorate of Sugar has already received complete claim of payment of 75% advance from 200 mills, which are being processed for expeditious disbursement. The Committee desire that the amount of buffer subsidy should be disbursed by 31st January at the latest.

11 At present Central Government fixes statutory Minimum Price (SMP) of Sugar cane and some State Governments also notify State Advised Price. As a result of this a large amount of cane price arrears remain with sugar mills. To overcome the situation, Central Government had to approve Rs. 678.06 crore as one-time assistance to the states of U.P., Uttaranchal, Haryana, Punjab and Bihar to clear cane price arrears. However no amount has been disbursed as yet. The Committee, therefore, desire that this assistance should be disbursed expeditiously. Further such a policy should be evolved wherein cane growers get due price of sugarcane, Mills get fair realisation from sugar and consumers also get sugar at reasonable price instead of highly benefiting the traders.

12. The Committee note that presently basic excise duty is imposed by Central Government and purchase tax, cess and Cooperative Society Commission are imposed by the State Governments. To relieve the sugar industry of present crises, Government of Maharastra has waived purchase tax. The Committee feel that such an initiative will be appreciable on the part of other State Governments too. The Central Government may also help sugar industry by reducing /waiving excise duty. The Committee, therefore, recommend that for revival of sick sugar industry, taxes imposed by Central and State Governments should also be waived/deferred for some period.

13. The Committee note that though there are Sugar Research Institutes like Sugarcane Breeding Institute (SBI), Coimbatore, Indian Institute of Sugarcane Research (IISR), Lucknow and National and

Sugar Institute (NSI), Kanpur under the Government, except SBI, Coimbatore, no discernible impact seems to have affected the quality, recovery, productivity of sugar and sugar cane by other Institutes. National Institute of Sugarcane and Sugar Technology MAU was established in 1993-94 out of SDF. However, this was wound up on the recommendation of the Central Monitoring Group. In the opinion of the Committee, this is clear indicative of some faulty policy of Government regarding Sugar and Sugarcane. Further Vasantdada Sugar Institute (VSI), Pune is also doing good job in private sector, however the Institute lacks the resources to continue their effort in crop production, sugar recovery, elimination of diseases, irrigation, energy production etc. During the visit to VSI, Pune, the Committee had come to know that while advanced country are making expenditure on R & D work in Sugar as 1.5% to 2% of their GNP, in India it is as low as 0.05% of GNP. The Committee have also noted that disbursement out of SDF for R&D has also been low for the past several years. The Committee, therefore, recommend that Central Government should provide all facility / assistance to the Research Institutes under them so that they may be able to help Sugar Industry and Cane growers in time. Sufficient fund should also be allocated for Vasantdada Sugar Institute, Pune to realize their mission. Efforts should also be made to have a coordinated network of research institutes of Central Government, the State Government, agriculture universities and the sugar mills in right spirit for the benefit of cane growers and the industry.

NEW DELHI

19 December,2003
28 Agrahayana, 1925 (Saka)

DEVENDRA PRASAD YADAV,
Chairman,
Standing Committee on Food, Civil Supplies and Public Distribution.

PART C

Annexure-I

COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION
(1999-2000)

Shri Devendra Prasad Yadav - Chairman

MEMBERS
LOK SABHA

2. Shri A.P. Abdullakutty
3. Prof. S.P. Singh Baghel
4. Shri Shyamlal Bansiwal
5. Shri Ranen Barman
*6 Shri Surender Singh Barwela
7. Shri Sujan Singh Bundala
8. Shri Namdeorao Harbaji Diwathe
9. Shri Rameshwar Dudi
10. Shri Abdul Hamid
11. Shri Jai Prakash
12. Shrimati Preneet Kaur
13. Shri Brijlal Khabri
14. Shri Shyam Bihari Mishra
15. Shri Aditya Nath
16. Shri Sisram Ola
17. Shri Mansinh Patel
18. Shri Laxmanrao Patil
19. Shri Baju Ban Riyan
20. Shri Vishnu Dev Sai
21. Shri Abdul Rashid Shaheen
$$$$22. Shri Kodikunnil Suresh
23 Shri Ram Naresh Tripathee
24 Shri Ram Chandra Veerappa
25. Shri Sahib Singh Verma
**26. Shri Akhilesh Yadav
***27. Shri Tejveer Singh
***28. Shri Kishan Lal Diler
***29. Shri Ramshakal
***30. Shri Rama Mohan Gadde
***31. Shri P.D. Elangovan

RAJYA SABHA

$32. Shri Sushil Barongpa
33. Shri W. Angou Singh
34. Shri Abdul Gaiyur Qureshi
35. Shri Lajpat Rai
36. Shri Dawa Lama
37. Shri M.A. Kadar
38. Shri Kaushok Thiksey
39. Shri D.P. Yadav
#40. Shri Nanaji Deshmukh
$$41. Shri Vijay Singh Yadav
$$$42. Smt. Bimba Raikar
##43. Shri A.K. Patel
###44. Shri K.G. Bhutia
####45. Shri G.C. Kharwar

Secretariat

1.	Shri Harnam Singh	-	Joint Secretary
2.	Shri Krishan Lal	-	Director
3.	Shri R.S.Mishra	-	Under Secretary

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*Ceased to be a member of the Committee w.e.f. 24.1.2000 vide Bulletin Part II (Para No. 400) dated 24.01.2000.

** Nominated to the Committee w.e.f. 14th March, 2000 vide Bulletin Part II No. 667 dated 14th March 2000.

$ Ceased to be member of the Committee consequent upon his retirement from Rajya Sabha w.e.f 2.4.2000.

***Nominated to the Committee w.e.f. 6th April, 2000 vide Bulletin Part-II. No. 708 dated 6th April, 2000.

$$Nominated to the Committee w.e.f 1st May, 2000 vide Bulletin Part-II.No. 811 dated 3rd may, 2000.

$$$Nominated to the Committee w.e.f. 5th May, 2000 vide Bulletin part –II. No. 847 dated 8th May, 2000.

Ceased to be a member of the Committee consequent upon his resignation from the Committee w.e.f. 10th October, 2000 vide Bulletin Part II dated 13th October, 2000.

Nominated to the Committee w.e.f. 19th may, 2000 vide Bulletin Part II No. 911 dated 19th May, 2000.

Nominated to the Committee w.e.f 29th May 2000 vide Bulletin Part II No. 942, dated 31st May, 2000 and ceased to be member of the Committee due to his demise w.e.f 12th August, 2000.

Nominated to the Committee w.e.f. 29th May, 2000 vide Bulletin Part II No. 942 dated 31st May, 2000.

$$$$ Ceased to be a member of the Committee w.e.f 1st August, 2000 vide Bulletin Part II No. 1121 dated 1st August, 2000.

Annexure-II

COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION

(2001)

Shri Devendra Prasad Yadav - Chairman

MEMBERS
LOK SABHA

2. Shri A.P. Abdullakutty
3. Prof. S.P. Singh Baghel
4. Shri Shyamlal Bansiwal
5. Shri Ranen Barman
6. Shri Sujan Singh Bundela
7. Shri Namdeorao Harbaji Diwathe
8. Shri Rameshwar Dudi
9. Shri Abdul Hamid
10. Shri Jai Prakash
11. Shrimati Preneet Kaur
12. Shri Brijlal Khabri
13. Shri Shyam Bihari Mishra
14. Shri Yogi Aditya Nath
15. Shri Sisram Ola
16. Shri Mansinh Patel
17. Shri Laxmanrao Patil
18. Shri Baju Ban Riyan
19. Shri Vishnu Dev Sai
20. Shri Abdul Rashid Shaheen
21. Shri Ram Naresh Tripathee
22. Shri Ram Chandra Veerappa
23. Shri Sahib Singh Verma
24. Shri Akhilesh Yadav
25. Shri Tejveer Singh
26. Shri Kishan Lal Diler
27. Shri Ramshakal
28. Shri Rama Mohan Gadde
29. Shri P.D. Elangovan
30. Vacant

RAJYA SABHA

31. Shri W. Angou Singh
32. Shri Abdul Gaiyur Qureshi
33. Shri Lajpat Rai
34. Shri Dawa Lama
35. Shri M.A. Kadar
36. Shri Kaushok Thiksey
37. Shri D.P. Yadav
38. Shri Vijay Singh Yadav
39. Smt. Bimba Raikar
40. Dr. A.K. Patel
41. Shri Ghanshyam Chandra Kharwar
42. Vacant
43. Vacant
44. Vacant

45. vacant

Secretariat

1.	Shri Babu Ram Kanathia	-	Joint Secretary
2.	Shri Krishan Lal	-	Director
3.	Shri R.S.Mishra	-	Under Secretary
4.	Smt.Manju Chaudhary	-	Committee Officer

ANNEXURE-III

COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (2002)

Shri Devendra Prasad Yadav - Chairman

Members
Lok Sabha

2. Shri Vishnu Dev Sai
@3 Shri Sahib Singh Verma
4. Shri Mansinh Patel
5. Shri Ram Chandra Veerppa
6. Shri Ram Naresh Tripathee
7. Shri Namdeorao Harbaji Diwathe
8. Shri Shyam Bihari Mishra
9. Shri Abdul Hamind
10. Smt. Preneet Kaur
11. Shri Rameshwar Dudi
12. Shri Tara Chand Bhagora
13. Shri Sujan Singh Bundela
14. Shri Sisram Ola
15. Shri A.P. Abdullakutty
16. Shri Baju Ban Riyan
17. Shri Ram Sagar Rawat
18. Shri Rajbhar Babban
19. Shri Ezhilmalai Dalit
20. Capt. (Retd.) Inder Singh
@@ 21. Shri Nagmani
22. Shri Jai Prakash
* 23 Shri M.V.V.S. Murthi
***24 Shri Kishan Lal Diler
**25. Dr. A.D.K. Jeyaseelan
**26. Shri Bali Ram Kashyap
** 27. Shri Shivaji Mane
** 28 Shri Ram Mohan Gadde
**29. Shri Ram Shakal
**30. Shri Tejveer Singh
***31. Shri Dip Gogoi

Rajya Sabha

32. Smt. Bimba Raikar
33. Smt. Gurcharan Kaur
34. Shri Lajpat Rai
35. Shri M.A. Kadar
36. Dr. Swami Sakshi Ji Maharaj
37. Shri Vijay Singh
38. Shri Anil Sharma
@@@39. Dr. (Ms.) P. Selvie Das
#40. Shri C. Perumal

##41. Shri Rishang Keishing
###42.Shri Ravula Chandra Sekar Reddy
$43. Shri S.K. Khabiruddin Ahmed
$$44. Shri Manohar Kant Dyani
$$$45.Shri R.N. Arya

Secretariat

1.	Shri John Joseph	-	Additional Secretary
2.	Shri S.K. Sharma	-	Joint Secretary
3.	Shri A.S. Chera	-	Deputy Secretary
4.	Shri R.S. Mishra	-	Under Secretary
5.	Shri Santosh Kumar	-	Committee Officer

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* Ceased to be a member of the Committee w.e.f. 18th January, 2002 (vide Bulletin Part II, No. 2540 dated 18th January, 2002)
** Nominated to the Committee w.e.f. 19th April, 2002 (vide Bulletin Part II, No. 2814, dated 19th April, 2002.
*** Nominated to the Committee w.e.f 13th May, 2002 (vide Bulletin Part II, No. 2879, dated 13th May, 2003).
@ Ceased to be a member of the Committee w.e.f 1st July, 2002, consequent upon becoming Union Minister of Labour .
@@ Ceased to be a member of the Committee w.e.f. 5th July, 2002 (vide Bulletin Part II, No. 2995 dated 5th July, 2002).
@@@ Nominated to the Committee w.e.f 17th January, 2002 (vide Bulletin Part II, No. 2575, dated 25th January, 2002)
# Nominated to the Committee w.e.f. 8th April, 2002 (vide Bulletin Part-II 2796 dated 10th April, 2002).
Nominated to the Committee w.e.f. 22nd April, 2002 (vide Bulletin Part II, No. 2832, dated 26th April, 2002).
Nominated to the Committee w.e.f. 2nd May, 2002 (vide Bulletin Part II, No. 2866, dated 7th May, 2002).
$ Nominated to the Committee w.e.f. 22nd May, 2002 (vide Bulletin Part II, No. 2918, dated 27th May, 2002).
$$ Nominated to the Committee w.e.f. 2nd August, 2002 (vide Bulletin Part II, No. 40013 dated 2nd August, 2002) and ceased to be a member of the Committee w.e.f. 25.11.2002 due to retirement from Rajya Sabha.
$$$ Ceased to be a member of the Committee w.e.f. 25.11.2002 due to retirement from Rajya Sabha.

APPENDIX

MINUTES OF THE THIRTEENTH SITTING OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION HELD ON TUESDAY THE 17TH OCTOBER, 2000.

The Committee sat from 15.00 hrs. to 15.40 hrs.

Present

Shri Devendra Prasad Yadav - Chairman

Members
Lok Sabha

2. Shri A.P. Abdullakutty
3. Shri Shyamlal Bansiwal
4. Shri Rameshwar Dudi
5. Shri Abdul Hamid
6. Shrimati Preneet Kaur
7. Shri Brijlal Khabri
8. Shri Laxmanrao Patil
9. Shri Abdul Rashid Shaheen
10. Shri Tajveer Singh
11. Shri Ram Mohan Gadde

Rajya Sabha

12. Shri W. Angou Singh
13. Shri Abdul Gaiyur Qureshi
14. Shri Lajpat Rai
15. Shri Vijay Singh Yadav
16. Dr. A.K. Patel

Secretariat

1. Shri Krishan Lal - Director
2. Shri R.S. Mishra - Under Secretary

Witness

1. Shri Y.S. Rajan, ED, STM
2. Shri J.J. Bhagat, Mission Director, STM
3. Shri Mangla Rai, DDG SBI, Comibatore
4. Shri T.V. Srinivasan, Director, SBI, Coimbatore
5. Shri R.L. Meena, Secretary, BIFR.

2. At the outset, the Chairman welcomed the representatives of Sugar Technology Mission (STM), Board of Industrial and Financial Reconstruction (BIFR) and Sugar Breeding Institute (SBI), Coimbatore. Then, they were asked to introduce themselves to the Committee. The Committee discussed with the representatives of STM about any experiment tried on the quick and simple methods to estimate the source content of the cane to enable mills to pay the cane price. The Committee also discussed diversified activities, testing facilities, adoption of improved technology, in khandsari units, projects taken up under mission mode projects of Technology Information Forecasting and Assessment Council (TIFAC) and upgradation of technology therein, etc. The Committee then discussed with representatives of SBI, Coimbatore about the various verities of seeds developed by them which are early maturing, high yielding, high sucrose content and disease resistant and their utilization in different agro-climatic zones and also about tissue culture, flowering and seed setting in the institute. They apprised the Committee that the institute is also providing the informations like use of fertilizer, pesticides, etc. while introducing a new variety. After enquiry by the Committee about the cases pending with BIFR, the representatives of Board of Industrial and Financial Reconstruction (BIFR) informed about the number of cases pending with BIFR, the representatives of BIFR informed about the number of cases of sick sugar mills registered with the BIFR and their status-wise details. The representatives of BIFR did admit that there is a delay in disposing of the cases due to the large number of registered sick companies which is more than 1100 in number and added that there are less number of benches of BIFR.

The Committee, then adjourned.

MINUTES OF THE SIXTH SITTING OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION HELD ON WEDNESDAY, THE 3RD SEPTEMBER, 2003

The Committee sat from 15.00 hours to 17.00 hours.

Present

Shri Devendra Prasad Yadav - Chairman

MEMBERS

LOK SABHA

2. Shri A.P.Abdullakutty
3. Shri Rajbhar Babban
4. Shri Tara Chand Bhagora
5. Shri Dalit Ezhilmalai
6. Shri Namdeo Harbaji Diwathe
7. Shri Dip Gogoi
8. Shri Abdul Hamid
9. Shri Ramesh C.Jigajinagi
10. Smt. Preneet Kaur
11. Shri Bir Singh Mahato
12. Shri Sukdeo Paswan
13. Shri Dharam Raj Singh Patel
14. Shri Baju Ban Riyan
15. Shri Man Sinh Patel
16. Shri Kishan Lal Diler
17. Shri Jaiprakash
18. Shri Kalava Srinivasulu
19. Shri Adhi Sankar
20. Shri Alakesh Das

RAJYA SABHA

21. Smt. Bimba Raikar
22. Shri Nandi Yellaiah
23. Shri S.K. Khabir Uddin Ahmad
24. Shri Ravula Chandra Sekar Reddy
25. Shri C. Perumal
26. Shri Vijay Singh Yadav
27. Shri Anil Sharma
28. Shri Harendra Singh Malik

SECRETARIAT

1. Shri Krishan Lal - Director
2. Shri R.S. Mishra - Deputy Secretary

Witnesses

National Federation of Cooperative Sugar Factories (NFCSF)

1.	Dr. M.R. Desai	Presidnet
2.	Shri Shivajirao G. Patil	Ex. President and Director
3.	Shri Vinay Kumar	MD, (NFCSF)
4	Shri Indubhai C. Patel	Director
5.	Shri Mansinhbhai K. Patel	Director
6.	Shri Bijay Kumar	Commissioner Sugar, Maharastra
7.	Shri R.S. Kannan	Director of Sugar, Tamil Nadu
8.	Shri Prakash Naiknavare	MD Maharastra Sakher Sangh

2. At the outset, the Committee welcomed the representatives of National Federation of Cooperative Sugar Factories Ltd. to the siting of the Committee. The Committee, thereafter, discussed with them the various points arising out of the Memorandum /List of points which were replied to by the witnesses.

3. A verbatim record of the sitting has been kept separately.

The Committee then adjourned.

MINUTES OF THE NINTH SITTING OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION HELD ON MONDAY, THE 24TH NOVEMBER, 2003.

The Committee sat from 11.30 hrs. to 13.30 hrs. in Committee Room No. 139, Parliament House Annexe, New Delhi.

Present

Shri Devendra Prasad Yadav - Chairman

MEMBERS
LOK SABHA

2 Shri Rajbhar Babban
3 Smt. Preneet Kaur
4 Shri Bir Singh Mahato
5 Shri Sanat Kumar Mandal
6 Shri Shyam Bihari Mishra
7 Shri Baju Ban Riyan

RAJYA SABHA

8 Smt. Bimba Raikar
9 Shri S.K. Khabir Uddin Ahmad
10 Shri C. Perumal
11 Shri Harendra Singh Malik

SECRETARIAT

1.	Dr. (Smt.) P.K. Sandhu	-	Joint Secretary
2.	Shri Krishan Lal	-	Director
3.	Shri R.S. Mishra	-	Deputy Secretary
4.	Shri Jagdish Prasad	-	Assistant Director

Representatives of Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)

1.	Shri D.N. Padhi	-	Additional Secretary and Financial Adviser
2.	Shri P.Uma Shankar	-	Joint Secretary (Sugar)
3.	Shri P.S. Hameed	-	Advisor (Cost)
4.	Shri R.P. Singhal	-	Chief Director (Sugar)
5.	Shri S.B. Biswas	-	Director (SDF)

2. At the outset, Hon'ble Chairman apprised the Members about the sad demise of Shri Murasoli Maran, Union Minister who expired in Chennai on 23.11.2003. The Members then stood for a short while in silence as a mark of respect to the departed soul. Thereafter, the Chairman welcomed the Additional Secretary and Financial Advisor and other officials of the Department of Food and Public Distribution. The Additional Secretary and Financial Advisor, informed the Committee that Secretary, Department of Food and Public Distribution has gone abroad to attend International Sugar Organization's Session and Seminar to be held from 25th to 28th November, 2003 at London. So he has authorized him to appear before the Committee in his absence.

3. The Committee, then, took evidence of the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) on the subject "Sick Sugar Industry and Sugar Development Fund". The major issues discussed during the meeting were related to (i) working capital loans to sugar factories (ii) utilization of sugar development fund (ii) cane price arrears (iv) Co-generation projects (v) Statutory Minimum Price (vi) Levy Sugar (vii) Free sale Sugar (viii) Radial distance of sugar mills and (ix) decontrol of sugar. The queries raised by Members were resolved by the concerned officials. The discussion was then concluded.

4. A verbatim record of the sitting has been kept.

The Committee then adjourned.

MINUTES OF THE TWELFTH SITTING OF THE STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES AND PUBLIC DISTRIBUTION HELD ON FRIDAY, THE 19TH DECEMBER, 2003.

The Committee sat from 15.00 hrs. to 15.45 hrs. in Committee Room No. 139, Parliament House Annexe, New Delhi.

PRESENT

Shri Devendra Prasad Yadav – Chairman

MEMBERS
LOK SABHA

42. Shri Tara Chand Bhagora
43. Shri Rameshwar Dudi
44. Shri Sukdeo Paswan
45. Shri Dharam Raj Singh Patel
46. Shri Baju Ban Riyan
47. Shri Kishan Lal Diler
48. Shri Jaiprakash
49. Shri Adhi Sankar
50. Shri Alakesh Das

RAJYA SABHA

51. Smt. Bimba Raikar
12. Shri Surendra Lath
13. Shri C. Perumal
14. Shri Vijay Singh Yadav

SECRETARIAT

1. Dr. (Smt.) P.K. Sandhu	-	Joint Secretary
2. Shri Krishan Lal	-	Director
3. Shri R.S. Mishra	-	Deputy Secretary
4. Shri Jagdish Prasad	-	Assistant Director

2. At the outset the Hon'ble Chairman welcomed the Members of the Committee. The Committee then considered the Draft Twenty-seventh Report on "Sick Sugar Industry and Sugar Development Fund" relating to the Department of Food and Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution and adopted the same without any amendment.

3. The Committee, therefore, authorized the Chairman to make consequential changes arising out of the factual verification of the Report by the Department of Food and Public Distribution of the Ministry of Consumer Affairs, Food and Public Distribution and present same to Parliament on their behalf.

The Committee then adjourned.
