

### New assistance package for sugar mills

Last Wednesday, the Centre announced a package of around ₹5,500 crore package for the sugar industry. It includes production aid of ₹13.88/quintal of cane for sugarcane growers (₹4,163 crore) and transport subsidy to mills for sugar exports (₹1,375 crore).

The announced assistance of ₹13.88/quintal (Fair and Remunerative Price) is ₹275/quintal, works out to a saving of 5 per cent for mills. The cost of production of sugar, however, works out to ₹34-35/kg. For low-cost manufacturers and those light on debt and higher ethanol production capacity, the production cost may be ₹30-31/kg.



So while the move gives some breather to the mills, it is still not a complete cure. Also, one needs to watch out for the conditions the government puts forth for mills to be eligible for the assistance. The subsidy towards freight and other

charges is — ₹1,000/tonne of sugar for mills located within 100 km from a port; ₹2,500/tonne for mills located beyond 100 km; and ₹3,000/tonne for mills not located in coastal States.

If the actual expenses are lower, actuals will be reimbursed. But given that currently, if mills export white sugar, they realise ₹20-21/kg, compared with the ₹31-32/kg when sold in the domestic market, the freight assistance package, too, is not set to alter the fortune of sugar mills much.

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