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Government intervenes to unclog payment of arrears to cane farmers

To help the industry clear its cane dues arrears, the Cabinet Committee on Economic Affairs chaired by the Prime Minister, Shri Narendra Modi today approved the proposal to provide soft loans to the extent of Rs. 6000 crore to the sugar industry. CCEA has provided a one year moratorium on this loan, and will bear the interest subvention cost to the extent of Rs. 600 crore for the said period. To ensure that farmers are paid their dues expeditiously, the Government has mandated that banks will obtain from the sugar mill, the list of farmers with bank account details to the extent cane dues are to be paid, so that the same are directly paid into the account of the farmers on behalf of the sugar mills. Subsequent balance if any, will then be credited into the mill account.

Furthermore, in order to incentivize the mills to clear their dues, CCEA has also decided that the approved soft loans will be provided to those units which clear at least 50 percent of their outstanding arrears before 30th June, 2015.

Fair & Remunerative Price (FRP) of sugarcane is fixed by the Govt. of India keeping in view the recommendations of the Commission for Agricultural Costs and Prices. For the present sugar season, it is Rs.220/quintal. Some State governments declare State Advisory Price which is above the FRP. Sustained surpluses of production over domestic consumption in the last four years has led to subdued sugar prices. Similar situation prevails in international markets. This has stressed the liquidity position of the industry leading to a build up of cane price arrears. In the current sugar year (Oct 20014-Sept 2015), the cane price arrears are approximately Rs. 21,000 crore.

The Government, in fact, has taken several steps in the last one year to mitigate the situation and protect the livelihoods of cane farmers. To improve the liquidity of sugar mills and facilitate payment of cane dues arrears, the Government has increased the export incentive on raw sugar from Rs 3200/MT to Rs. 4000/MT. Funds have been allocated to support 14 lac MT (LMT) of raw sugar exports as against 7.5 LMT achieved last year.

The Government has also fixed remunerative prices for ethanol supplied for blending with petrol. It has dismantled the tender based price discovery procedures for ethanol and fixed attractive prices for ethanol supplied for petrol blending. Prices were fixed at Rs.48.50 to 49.50 per litre depending on distance from the depot thereby effectively giving Rs.42 per litre to the mill as against Rs.32 per litre last year. As a result, the supply levels of ethanol, which were about 32 crore liters per year, shot upto a level of 83 crore liter per annum. It has also been decided to waive the excise duties on ethanol in the next sugar season to further incentivize ethanol supplies for the blending program. This would further increase the ex mill price of ethanol and help improve the liquidity of the industry and enable them to clear the cane price arrears.

Furthermore, to improve the price sentiments of sugar, the Government has also increased the import duty to 40 percent, and abolished the Duty Free Import Authorization Scheme. To prevent possible leakages of sugar in the domestic markets, the Government has also reduced the export obligation period from 18 months to 6 months under the Advanced Authorization Scheme.

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