

Sugar industry crisis: Govt mulls loans for ethanol units

Mills may divert cane juice to direct production of ethanol, reducing surplus sugar

COGENCIS

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The Centre is looking at options such as granting loans to sugar companies for setting up ethanol plants, and cess on beverages for extending further help to the ailing sugar industry, a senior government official said today.

"Among the many long-term and short-term measures, we discussed encouraging ethanol production. So, whoever wants to set up an ethanol plant can get loans from the Sugar Development Fund. This is the best solution for resolving this crisis," a senior government official said today, after a meeting chaired by Food Secretary Vrinda Sarup.

The meeting was attended by representatives from four major sugar-producing States - Maharashtra, Uttar Pradesh, Karnataka and Tamil Nadu.

The government has already scrapped excise duty on ethanol

for petrol blending from the new marketing season, beginning October 1. These measures would incentivise mills to divert cane juice to direct production of ethanol, reducing surplus sugar from the next season.

Mills currently produce ethanol from molasses, which is a by-product of sugar.

Cane arrears had shot up to ₹220 billion at the end of May, as mills have liquidity constraints following surplus sugar output for the last four years, and depressed sugar prices.

Beverage manufacturers consume a major portion of the country's sugar production.

"... And when there is an increase in cess, the government can create a fund or else can merge this fund with the Sugar Development Fund. The fund can be used at the time of any crisis."

The Centre and the States also discussed sugar export. India is staring at a fifth straight year of surplus production. The country is likely to produce 28.5 million tonnes (mt) of sugar in the current marketing season ending September 30, against consumption of around 24 mt. In 2013-14 (October-September), the country had produced 24.6 mt sugar.

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