Maha gets its sugar rush from e-auction

Centre wants other states to buy PDS sugar every month online

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Radhika Shinde, a homemaker, consumes at least five cups of tea everyday and admits to being addicted to coffee as well. But just like other three crore citizens of the state who are entitled to sugar from public distribution system (PDS), she has little idea about the way the sugar reaches her table.

Since July, the 1,40,000 quintal (100kg) sugar, which the state food and civil supply ministry buys every month for distribution through PDS, is being bought through a unique live centralised e-auction for each of the 36 districts, conducted through the National Commodity & Derivatives Exchange Limited (NCDEX), an online commodity exchange spot.

Centralized e-auction, which resembles share market purchase, allows registered suppliers from across India to bid for sugar in a window period of 20 minutes once a month. Every bidder is allowed to change the price between 11am and 11:20am according to the rates quoted by others. For the e-selling process, it's mandatory that random samples of each batch is tested in a lab.

The state government locks the lowest bid, which is inclusive of all taxes, charges, transportation charges and NCDEX commission, after verifying the market price in Vashi and Nagpur. The e-payment is made to the exchange and not the seller.

"The sugar which is being purchased through spot exchange is cheaper than the market rate; it's lab-tested, is of S-30 grade and reaches shopkeepers within six days of the auction. Moreover, the state saves Rs 2 crore a month, something that caught the Central government's eye. Centre has now directed all states in the country to adopt the model," said Deepak Kapoor, secretary, Food, Civil Supply, and Consumer Protection Department.

Sweet scoop

The e-governance model, which offers traders from across India a chance to bid for Maharashtra sugar, has not only severed the nexus between government officers and sugar traders, but has also been able to curb black marketing and sugar shortage in the state, said Kapoor.

While 18 districts conduct auction on the fifth day of every month, other 18 do it on the sixth day of the month. Over 70 suppliers from Mumbai, Nagpur, Kolhapur, Varanasi, Kolkata, Delhi, Guwahati, etc participate in the bid. Even a French company, Trade Alliance, has entered the bid since October. And the department, which expects the number to go up, may soon use similar models for other commodities as well.

The state had been struggling to buy sugar for the past one-and-a-half year after the Centre abolished levy sugar and the monthly release mechanism in April 2013 on the recommendation of the C Rangarajan Committee. Early this year, government had decided to buy sugar from co-operative sugar mills in the state, but even that effort had come to a naught forcing the department to think out of the box.

Prior to this, sugar mills had to supply 10% of their output as levy quota for the PDS system at a price lower than the market rate.

FIGURE IT OUT

Number of beneficiaries who get sugar through PDS in state: **3 crore**

Sugar quota in PDS per person per month: **500g (10 months) 660g (Oct-Nov)**

Amount of sugar govt purchases per month: **approx 1,40,000 quintal**

Money spent: **Rs 43 crore per month (10 months), Rs 52 crore (Oct and Nov)**

Govt purchase rate: **Rs28-32 per kg (depending on market rate).**

Citizens pay: **Rs13.5 per kg**

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