

# Industry Prays for Sugar Decontrol

**THE RANGARAJAN**  
committee on sugar decontrol  
to submit report shortly



## THE SUGAR INDUSTRY

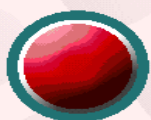


It is the only commodity under tight government control

Sugar is an ₹80,000 crore industry, globally second to only Brazil

Mills directly pay cane farmers ₹55,000 crore a year

## TIGHT GOVT CONTROLS



Mills have to sell 10% of output at low, state-set price to govt for PDS

Govt has total control on import and export

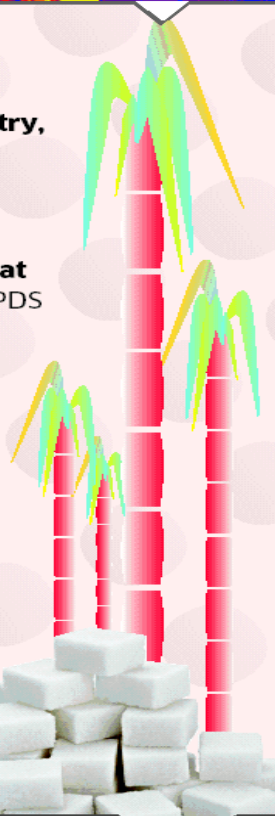
Govt decides how much sugar would be sold in open market

States decide how far apart should two sugar mills be

Farmers near a particular mill cannot sell elsewhere, and the mill has to buy only from them

Govt decides the price of cane

Mills are forced to use jute for packaging



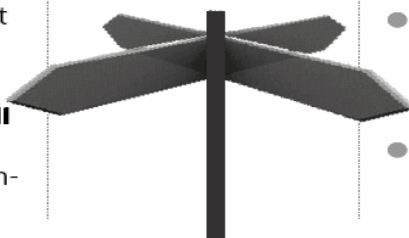
## IMPLICATIONS OF DE-CONTROL

### ON MILLS

- To gain ₹2,000 crore if not forced to sell 10% of output below cost
- Mills will be able to quickly export when they see good prices abroad
- Industry can save ₹1,000 crore if not forced to use jute packaging
- Market forces will operate and help mills operate without govt whims

### ON GOVT

- The govt will have to bear subsidy cost of up to ₹2,000 cr
- Politicians won't be able to arm-twist the industry to score political points



### ON FARMERS

- They can negotiate with millers for a profit-sharing mechanism linked to sugar prices
- They can sell cane to the mill that offers the highest price
- But they won't be able to use politicians to force mills to pay more
- They are more likely to get prompt payments

Committees headed by Mahajan (1998), Tuteja (2004), Thorat (2009) and Nandakumar (2010) studied sugar de-control but their recommendations were not implemented

TEXT: RITURAJ TIWARI. GRAPHIC: VASU