

22/5/2013

Commodities

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# UP exempts sugar mills from cane levy, releases funds for power dues

■ State also decides to do away with monthly proportionate lifting of molasses

Deepa Jainani  
Lucknow, May 21

**W**EIGHED down by the high state-fixed prices of cane, the sugar industry in Uttar Pradesh has finally something to cheer about. The state cabinet on Tuesday decided to exempt the industry from forking out purchase tax of ₹2 per quintal on sugarcane for the current sugar season through September, sparing mills from paying as much as ₹166 crore in such an impost, according to industry sources.

Sugar mills, which have paid the tax on 81.45 million tonne of cane purchases from farmers so far this season, will get a refund, the sources added.

The state cabinet also decided to release ₹700 crore to the industry to pay off dues on co-generation accumulated on account of the electricity that sugar plants generate and supply to the UPPCL. As the ailing UPPCL is struggling to pay the arrears, the state government has come forward to clear the dues. These decisions would partly help the state's sugar industry, which is struggling to pay farmers around ₹6,000 crore in arrears on cane purchases in the 2012-13 season.

"The industry is unable to pay off cane arrears due to a number of reasons. First, the UPPCL didn't clear its dues on purchase of electricity from the sugar industry. Second, the cane price fixed by the state government for the 2012-13 season was too high. Also, while prices of sugar in the domestic market generally remained very low, the ex-factory price of sugar in UP is high, due to which we are not able to find institutional buyers. These steps taken by the state cabinet on Tuesday will go a long way in easing the situation for the industry and enable it to pay off



**THE STATE CABINET EXEMPTED THE INDUSTRY FROM A PURCHASE TAX OF ₹2 PER QUINTAL ON SUGARCANE FOR THE CURRENT SEASON, WHICH WILL HELP MILLS SAVE AS MUCH AS ₹166 CRORE. BESIDES, IT DECIDED TO RELEASE ₹700 CRORE TO THE INDUSTRY TO PAY CO-GENERATION DUES FOR THE ELECTRICITY THAT SUGAR PLANTS GENERATE AND SUPPLY TO UPPCL**

farmers' dues," said a miller having a strong presence in Uttar Pradesh.

Among other decisions, the state government decided to do away with the monthly proportionate lifting of molasses between free sale and the country liquor quota that was hitherto binding on the sugar mills, although it did not change the 20% reservation of molasses for the country liquor segment. "While the 20% quota for country liquor lobby has been kept intact so as not to disturb the sector and the state's revenues thereof, the cabinet has decided to do away with the 1:19 ratio of molasses lifting for the 2012-13 season so as to give the industry some relief by allowing it to sell molasses

in the free market as per its needs," said another official of the sugar industry on conditions of anonymity.

According to an earlier norm, the country liquor segment had to first lift its share of molasses to enable the sugar mills to sell the rest in the free market. Taking advantage of this norm, the distillers refused to lift their share, often forcing the sugar mills to sell to them at a much cheaper price so as to be able to sell the rest in the free market. "We were literally at the mercy of the distillers, who forced us to sell molasses to them at throwaway prices before we can sell the rest in the free market. This has come as a big relief for us," said an official of the sugar

millers association.

It may be mentioned that the sugar industry has for long been pleading for the state government's intervention to provide some relief to the sector facing strong liquidity crunch. Two high-level delegations of mill owners had also met chief minister Akhilesh Yadav and sought his intervention in keeping the sector afloat. The recommendations submitted by the delegations included exemption of purchase and entry tax, exemption of molasses administrative charges as well as bringing down levy molasses from 20% to 10%.

"Doing away with the molasses administrative charges and bringing down of molasses levy were difficult points as there is a lot of pressure from the country liquor lobby. Scaling down of the levy will directly affect them and also the state's revenue. Hence, the least we could do was doing away with the proportionate lifting of molasses so that the industry can now at least sell the free sale molasses portion as per its own will and not be tied to the whims and fancies of the distillers, who were earlier holding the sugar industry to ransom and forcing them to make distress sale," said a source in the cane department.

Sugar millers have, since the beginning of the 2012-13 sugar season, brought to the notice of the state government that the ₹40/quintal hike in cane price over the last year would be suicidal for the industry unless the government waives off some taxes to help the industry remain afloat.

It may be mentioned that the UP government has fixed SAP for the 2012-13 sugar season at ₹280 per quintal for the general variety of cane as compared to ₹240 per quintal last year. This was an increase of 16% over the 2011-12 season.