

Isma wants Centre to deregulate sugar sector in two phases

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New Delhi, Dec 3: Even as the Centre plans an inter-ministerial group to consider the Rangarajan panel report on deregulation of the sugar sector, the industry is seeking the lifting of state controls in two phases.

In a presentation to finance minister P Chidambaram last week, a delegation of the Indian Sugar Mills Association (ISMA) said the government should remove "sugar-side controls" in the first phase and "cane-side controls" in the second phase, sources told FE. Chidambaram is learnt to have conveyed his willingness to consider the proposals.

The scrapping of "sugar-side controls" would involve freedom to mills from the obligation of supplying subsidised sugar for state-run welfare programmes, also called levy obligation, and the scrapping of

of the sector. The government wants the IMG, to be headed by agriculture minister Sharad Pawar, to examine at least those recommendations of the Rangarajan panel that can be implemented by the Centre alone.

The delegation also said the government should link the price of sugarcane to that of sugar in a calibrated and phased manner over the next 2-3 years, the sources said.

In a separate letter to the finance minister, ISMA president Gautam Goel said the sugar industry loses "one-third of its normal realisation" a year due to levy obligation.

"Moreover, when the government is considering the transfer of direct subsidy to the beneficiaries of the public distribution system (PDS) for wheat, rice, etc, the same procedure may be adopted for the distribution of levy sugar under the PDS," Goel said in the letter.

the release order mechanism through which the government controls sweetener sales in the open market.

The "cane-side controls" refer to the pricing of cane and the area reserved for specific sugar mills for purchases of the raw material. While the Centre alone can scrap "sugar-side controls", it needs to take states on board to remove cane-side curbs.

The Rangarajan committee had in October recommended a complete deregulation

At current prices, sugar mills would lose more than ₹4,000 crore a year due to the levy burden, as mills are mandated to sell 10% of their output to the government for PDS at cheaper rates that cover just around 70% of their cost of production.

These apart, regulations on stocks, cane pricing and cane areas reserved for specific mills have helped drive up the debt of key sugar companies as profitability suffers, while cane arrears to farmers have piled up.

WHAT ISMA WANTS

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■ The scrapping of "sugar-side controls" would involve freedom to mills from the obligation of supplying subsidised sugar for state-run welfare programmes, also called levy obligation

■ **STICKY POINT:** While the Centre alone can scrap "sugar-side controls", it needs to take states on board to remove cane-side curbs