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Farmers too call for sugar decontrol

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The sugar industry has brought farmers on board to intensify their demand for removal of controls such as levy sugar and release mechanism.

The farmers' body that met Prime Minister Manmohan Singh on the foreign direct investment in retail last week, also pressed for decontrolling the sugar industry, liberalising exports and finalising a formula for ethanol price.

Sugar industry bodies — Isma and NCFSF — were lobbying for decontrol without the farmers. This is the first time that farmers are supporting their cause. The sugar bodies are lining up meetings with ministers of food, agriculture, and finance, among others, with the farmers' representatives.

In a written submission last Monday, farmers' bodies led by the Consortium of Indian Farmers Associations said policy deficiencies lead to cyclical problems in the sugar sector. "The obligation on sugar industry to supply levy sugar for the public distribution at a discounted price (60 per cent of the cost of production) should be removed and government should procure their requirement directly from the market. This obligation reduces returns to sugar industry by Rs 2,500-3,000 crore every year, adversely impacting the sugarcane price payments to farmers," CIFA said.

They also appealed that the government should abolish the monthly release mechanism.

"No other industry in India is subjected to such a control, which actually takes away the freedom from the millers to plan their cash flows." The farmers groups have also requested Singh to bring in a free export policy so that in surplus production years mills can take up exports without any delay and improve cash flows and prevent a crash in domestic prices.

Sugar is one of the most controlled industries in India. Attempts to decontrol it were made in 1971-72 and in 1978-79, only to be rolled back.

The government has over the years eased controls in major industries such as steel and cement. The control on sugar is exercised by way of release mechanism and levy obligation.

Sugar mills can sell in the open market only according to the release mechanism. The Directorate of Sugar in the Union government issues release orders every month and gives mill-wise sale quotas. Mills cannot sell above this quota. A penalty is levied if they fail to sell the quota within the stipulated month.

The government tweaks this system when there is a shortage. This year, for instance, the government resorted to weekly and fortnightly release mechanisms. Under levy obligation, mills sell a certain per cent (currently 10 per cent) of their produce to the government at lower than the market price. This is supplied to below poverty line families through the public distribution system.