



**PRESIDENTIAL ADDRESS**

**BY**

**SHRI GAURAV GOEL**

**AT 84<sup>TH</sup> ANNUAL GENERAL MEETING OF THE**

**INDIAN SUGAR MILLS ASSOCIATION**

**ON 7th DECEMBER, 2018**

**AT NEW DELHI**

**Respected Mr. Dharmendra Pradhan,  
Hon'ble Union Minister for Petroleum and Natural Gas,  
Skill Development and Entrepreneurship;  
Secretary (Food and Public Distribution),  
Government of India;  
Chairman, CACP,**

**Senior Officials from the Government,  
My fellow members of the Indian Sugar Mills Association  
Friends from our National Federation of Cooperative Sugar  
Factories Ltd. and other Associations, our friends from the  
trade and media, .....**

**Ladies and Gentlemen,**

1. On behalf of my Association, ISMA, I am honoured to welcome all of you to the 84th Annual General Meeting.
2. My sincere thanks to Mr. Dharmendra Pradhan for sparing time from his very busy schedule, to be here with us and to inaugurate our AGM.

3. We all know how strongly Mr. Pradhan has guided and encouraged the ethanol blending programme during the last over 4 years. Sir, we all look forward to hearing your advice on the matter.
4. The last 12 months has been one of the most difficult times for the sugar industry in the recent past but, thanks to the Government, the pain has been much less than what it could have otherwise been.

**B. SURPLUS SUGAR PRODUCTION AND EXPORTS THEREOF**

5. Due to drought two years back, there was a sudden fall in sugarcane production in India during 2016-17 SS. This fall in cane production came up after 6 years of continuous surplus sugarcane and sugar production in the country. From an average production of around 250-260 lac tons of sugar, the sugar production in 2016-17 SS fell to 203 lac tons, below the domestic requirement. However, due to the surplus production in the past 6 years, we had enough carry forward stocks because of which the country hardly needed to import sugar in 2016-17 SS. On behalf of the Association, I need to also thank the Government for not acting in a hasty manner in 2016-17 SS and not unnecessarily importing too much of sugar. Otherwise, the situation now could have been grim.

6. Thanks to a very good rainfall in 2017, there was a massive increase in sugarcane production. That has resulted in a record highest sugarcane and sugar production in last season 2017-18 of 325 lac tons. Even though the Government announced a policy of exports in the last season for 20 lac tons, due to an unviable international market, India could export just about 5 lac tons therein.
7. We have now started the current season 2018-19 with a very high opening balance of 107 lac tons of sugar. The sugar production seems to be lower in the current season, but still a very high production of 315 lac tons is expected, which will be substantially higher as compared to the domestic requirement. The Government has announced an export policy for 50 lac tons in 2018-19 SS and is also helping in finding export markets in various parts of Asia.
8. From our side, we are making all efforts to finalize contracts to fulfill our individual export quotas. However, there would be some sugar mills who may not participate in the export programme because of several reasons. That is why, we from ISMA have requested the Government, to put in place a system of compulsory exports with clear penalties if one does not fulfill his export quota. Sir, this is only fair and reasonable and, therefore,

would request the Government once again to find ways to ensure that each and every sugar mill in the country fulfils its export quota.

**C. ETHANOL BLENDING PROGRAMME**

9. We all know how supportive the Government has been in making the ethanol blending programme a success in the country in the last 4 to 5 years. We are all fully aware Sir, about the personal interest that the Hon'ble Prime Minister has taken in this regard and the initiatives and directions that you, as the Petroleum Minister of the country, have given to ensure that this programme not only helps the sugarcane farmers and the sugar mills in India, but also helps reduce some dependence on imported oil and helps improve air quality.
10. The seed of success was sown when the fixed pricing policy for ethanol was adopted by the Government in December 2014 and was followed up with remunerative procurement price for ethanol.
11. Your keen interest in the programme will for the first time increase the production of ethanol to record levels in 2018-19 sugar season. Orders have been received from

OMCs for about 260 crore litres of supplies during this year.

12. Sir, it was the Hon'ble Prime Minister's and your personal interest in the matter that the procurement prices have again for the first time, been fixed with a premium for the ethanol produced from 'B' heavy molasses and sugarcane juice. These procurement prices have made a huge impact and in the first year itself, the industry is planning to divert around 5 lac tons of sugar into ethanol.
13. Thanks to another major decision of the Government to give subsidized loans for setting up of new distilleries or expanding capacities of existing distilleries, as well as setting up of incineration systems, that we are already seeing a lot of positive response in the industry, because of which 268 projects have already been planned for execution.
14. The new capacities or expanded capacities over the next two years can allow us to increase ethanol supplies to 500 to 600 crore litres. In other words, we are in a position to not only cross 10% blending in the country, but even think of achieving 20% blending before the targeted year of 2022. This was unimaginable a few years back.

15. This massive jump in ethanol production will surely and certainly reduce that much of petrol consumption, which in turn, will help reduce environmental pollution. Quite importantly it will help the sugarcane farmers get better and timely returns, since it improves the cash flows of sugar mills. It will also be successfully used as a policy tool to balance the surplus sugarcane and sugar, which can gainfully be diverted away from sugar into production of ethanol.
  
16. Sir, we can cross 10% ethanol blending levels in 2019-20 and, therefore, we need to roll out a plan and a programme to get all stakeholders on board, including the automobile manufacturers, so that there is an easy and smooth transition from the current 10% blending to 20% blending. We can start 20% blending in the top three ethanol producing States of U.P., Maharashtra and Karnataka in the first phase in 2019-20, and then roll it out across the country the year thereafter.
  
17. On behalf of the sugar industry, I would also like to express our sincere thanks to you Sir, for the initiatives and steps taken by you personally as well as your Government to convince the State Governments to remove all taxes and duties on fuel grade ethanol as also ensure its free movement across the country. The earlier

unnecessary taxation on ethanol was taking away a significant part of the ethanol price and the insistence of excise permits by State Governments was leading to inordinate delays in movement of ethanol. Now that most of the States have removed these controls and taxes, the offer from the ethanol manufacturers have also increased.

18. On behalf of the Association, I would like to commit before you that in a few years, we would be supplying enough ethanol to the oil marketing companies to achieve the 20% ethanol blending target that the Government has fixed for 2022.
19. I only hope that the rain Gods support us by ensuring adequate sugarcane production.

**D. REFORMS IN THE SUGARCANE PRICING POLICY**

20. India must be the only country amongst the large sugar producing nations which does not have rationalized sugarcane pricing policy linked to the revenue realization or the price of sugar. All the other countries like Brazil, Australia, Thailand and even several African countries, have a policy where the sugarcane price payable by the mills is automatically determined in relation to the revenue

realized from sugar and primary by-products.

21. In other words, there is no discretionary or unreasonable cane price fixation in the other sugar producing nations. In India, we continue to have a system where the Government of India fixes a price of sugarcane, which has continuously increased even when the sugar prices have fallen. That has often resulted in sugar mills even paying 95% to 100% of the revenue from sugar and by-products only for sugarcane. Not only does it mean that sugarcane price has become unaffordable for the sugar mills, but it also means that they are unable to repay bank loans making them NPAs.
  
22. The other major fall out of such a policy where the sugarcane price is so high is that Indian sugar becomes uncompetitive in the global market. Out of the last 8 years, India has produced surplus sugar in 7 years and, therefore, one can very easily say that India has become a net surplus sugar producer and an exporter, unless there is a weather issue. Therefore, there is a very strong need to rationalize the sugarcane pricing policy, an important reform in the sugar sector which can be carried out very easily by your Government which is known to be pro-reform.

23. With your kind blessings and the personal interest that the Hon'ble Prime Minister has taken, the ethanol blending programme will help in diverting some of the surplus sugarcane into ethanol and reduce some of the surplus sugar. However, looking at the current production levels, India will still need to export a part of the surplus into the international market, for which we need to become competitive, for which there is no escape from the fact that the cane price should be directly linked to sugar price or revenue from sugar and primary by-products.
24. We strongly feel that once the sugarcane pricing policy is rationalized and linked to revenue, and with the ethanol blending programme, shaping up so well, the industry will not need to keep running to the Government for financial assistance. However, if the sugarcane price is fixed by the Government without any relation to the revenue realized by the sugar mills, the sugar industry will have to continue to go back to the Government for help in the future also.

#### **E. HEALTH AND SUGAR**

25. There is unfortunately a lot of myth being created around sugar consumption. There is already a talk in the global market that consuming too much of sugar is harmful and results in non-communicable diseases like diabetes, high

blood pressure, cardio vascular diseases, obesity etc. Unfortunately, none of these statements being made by so called experts is based on any scientific study or research.

26. There is absolutely no direct relationship between sugar consumption and development of diabetes or any other disease in a person. Cause of diabetes for example is linked to hereditary issues and other lifestyle problems. There are people who eat good quantity of sugar but have not developed diabetes and yet there are others who have hardly eaten sugar but become diabetetic. India is said to be the diabetetic capital of the world. However, per capita consumption of sugar in India is the lowest, at just about 20 kilo, as compared to 50 to 55 kilo in the Western countries like USA, EU etc.
27. ISMA is trying to create awareness amongst consumers about these myths and is trying to communicate that sugar does not cause diabetes or high blood pressure or is the reason for obesity, but it is the poor life style or lack of any physical activity which is causing the problem.
28. It is important that the consumers realize about this very important point, otherwise, they will start believing that reduction in consumption of sugar will solve all our health problems, which will be even more dangerous and fatal.

29. We are planning to do a workshop on Health and Sugar in January 2019 in New Delhi.

**F. GST on RS and ENA**

30. Prior to introduction of GST in July 2018, RS and ENA were not taxed by the State Governments since these are still intermediate products and not fit for human consumption. The Indian constitution as well several judgments, clearly say that the State Governments can tax or legislate only on that alcohol which is not fit for human consumption, which is not the case for RS and ENA.

31. However, after introduction of GST, a couple of State Governments have suddenly started insisting on taxing RS and ENA. We understand that since these are not fit for human consumption, unless further processed, these two come under GST. We also understand that the Attorney General of India have given an advice to this effect to the GST council. However, the GST council has not yet notified that RS and ENA are subjects under GST. We have requested the GST council for clarification on the same and would request the Government to get the same notified quickly.

## **G. ACKNOWLEDGEMENTS**

32. Before I end my Presidential Address, I wish to acknowledge with deep sense of gratitude the positive policy decisions and financial assistance that the sugar sector has received continuously from the Hon'ble Prime Minister Mr. Narendra Modi.
  
33. I wish to also thank the Hon'ble Minister of Consumer Affairs, Food and Public Distribution Mr. Ram Vilas Paswan, Hon'ble Finance Minister Mr. Arun Jaitley and Hon'ble Minister of Road Transport & Highways, Shipping, Water Resources, River Development and Ganga Rejuvenation Mr. Nitin Gadkari for their continued support and help to us.
  
34. I am also thankful to Mr. Sharad Pawar, former Agriculture Minister for his continued support to the sugar industry.
  
35. I am very much thankful to Mr. Nripendra Misra, Principal Secretary to Hon'ble Prime Minister and Dr. Srihar Keshav Pardesi, Joint Secretary, PMO and the then Joint Secretary, PMO Mr. Anurag Jain and Mr. Mayur Maheswari, Director, PMO, for their help and guidance on a regular basis.

36. I would specially thank Mr. Ravi Kant, Food Secretary and Dr. M.M. Kutty, Petroleum Secretary, Mr. Anup Wadhawan, Commerce Secretary, Mr. Sanjay Agarwal, Agriculture Secretary and Ms. Preeti Sudan, Health Secretary for all the encouragement, their patience and positive attitude towards our problems and demands.
37. I am thankful to Dr. Vijay Paul Sharma, Chairman, Commission for Agricultural Costs and Prices and Mr. Sanjay Chaddha, Additional Secretary, Ministry of Commerce looking after China for regularly meeting us, appreciating our problems and helping us.
38. I am thankful to Shri Dharmender, Additional Secretary & Financial Advisor, Mr. Suresh Kumar Vashisth, the Joint Secretary (Sugar), Department of Food and Public Distribution, Mr. Subashish Panda, the previous Joint Secretary, Shri G.S. Sahu, Chief Director (Sugar) and Director (Sugar Policy), Ministry of Consumer Affairs, Food and Public Distribution and other officials of the Sugar Directorate and Department of Food for their help and assistance.
39. I am thankful to Mr. Sandeep Poundrik, Joint Secretary Ministry of Petroleum and Natural Gas, Mr. Santosh Sarangi, Joint Secretary, Ministry of Commerce, Mr. Vijay

Sharma, Director, Ministry of Petroleum and Mr. Manish Sarada, and other officers of Bio-fuel Cell of Ministry of Petroleum and Natural Gas for their help and guidance.

40. I am also thankful to CMDs and other senior officers of the Oil Marketing Companies viz. IOC, BPCL and HPCL for their continued support, smooth procurement and assistance in the ethanol blending programme.
41. I am thankful to Mr. Dilip Walse Patil, Chairman, National Federation of Cooperative Sugar Factories Ltd., and Shri Prakash Naiknavare, Managing Director, National Federation of Cooperative Sugar Factories Ltd. for their help and assistance extended to us from time to time. A special thanks to Mr. Adhir Jha, CEO and MD of Indian Sugar Exim Corporation for his continued contribution for the welfare of the Indian sugar industry.
42. I wish to record my appreciation of our Past Presidents, including Chairpersons of various Sub-Committees and the Regional Associations for their continued guidance. I would like to make a special mention of my colleagues on the Committee, especially the Vice-President Mr. Rohit Pawar who has always been available for consultation and advice.

43. I wish to record my appreciation for the hard and dedicated work put in by the officers and staff of ISMA – a special thanks to Director General Abinash Verma for his continued guidance and support during my tenure. I also thank the officers and staff of ISEC for their support and assistance.

44. I thank the distinguished guests who have so kindly responded to our invitation and the Media for giving the industry positive recognition and support during the entire year.

45. Sir, I thank you for your patience in listening to my rather long speech but it has been quite a year and I have learnt a lot during the year in my role as ISMA President and without all your help I would not have made any progress. With this, I request the Hon'ble Minister to kindly inaugurate our proceedings.

**JAI HIND.**

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