



Cabinet Committee on Economic Affairs (CCEA)

Cabinet approves creation of buffer stock of 40 LMT of sugar for a period of one year from 1st August 2019 to 31st July 2020

Posted On: 24 JUL 2019 4:19PM by PIB Delhi

The Cabinet Committee on Economic Affairs (CCEA) chaired by Prime Minister Narendra Modi has approved the following proposals:

1. Creation of buffer stock of 40 lakh metric tonnes (LMT) of sugar for one year and to incur estimated maximum expenditure of Rs.1674 crores for this purpose. However, based on the market price and availability of sugar, this may be reviewed by the Deptt. of Food and Public Distribution any time for withdrawal / modification.
1. The reimbursement under the scheme would be met on quarterly basis to sugar mills which would be directly credited into farmers' account on behalf of mills against cane price dues and subsequent balance, if any, would be credited to the mill's account.

Benefits:

The decisions will lead to:

1. improvement in the liquidity of sugar mills;
2. reduction in sugar inventories;
3. stabilization in sugar prices by alleviating of price sentiments in domestic sugar market and thereby facilitate timely clearance of cane price dues of farmers; and
4. benefits for sugar mills in all sugarcane producing States, by way of clearing sugarcane price arrears of sugar mills

Background:

In the wake of sugar production during sugar season 2017-18 (October-September) and sugar season 2018-19, and given the over-leveraged position in the industry and liquidity crunch, interventions have been taken from time to time by the Government to improve liquidity of the sugar mills enabling them to clear cane price arrears of farmers and also to stabilize sugar prices in the domestic market.

Creation of buffer stock of 30 LMT of sugar for one year from 1st July, 2018 to 30th June, 2019 was one of the various interventions which were made by the Government. Accordingly, the Scheme for creation and maintenance of buffer stock was notified on 15th June, 2019.

The buffer subsidy scheme announced in sugar season 2017-18 has expired on 30th June, 2019. However, ensuing sugar season 2019-20 is likely to commence with huge carryover/opening stock. As such, in order to maintain demand supply balance and to stabilize sugar prices, the Government has decided to create a buffer stock of 40 LMT of sugar for one year from 1st 2019 to 31st July 2020 for which Government would be reimbursing the carrying cost of about Rs. 1674 crore to participating sugar mills. This would improve the liquidity position of sugar mills. The reimbursement available under the scheme would be directly credited into farmers' account on behalf of sugar mills against their cane price dues.

VRRK/PK/SH

(Release ID: 1580069) Visitor Counter : 34