

Respected

Hon'ble Minister of Railways, Commerce & Industry

And Consumer Affairs, Food and PD

Shri Sudhanshu Pandey, Secretary (Food),

Senior Officials from the Government,

My fellow members of the Indian Sugar Mills Association,

Friends from National Federation of Cooperative Sugar

Factories Ltd. and other Associations,

Associate members from the trade and ethanol manufacturing sector,

and our friends from the media

Ladies and Gentlemen,

1. On behalf of Indian Sugar Mills Association, it is my pleasure and honour to welcome all of you to the 86th Annual General Meeting of our Association.
2. It is a matter of pride that one of the most important Ministers in the current Government who is currently also the Minister for Consumer Affairs, Food and Public Distribution, Mr. Piyush Goyal Saheb is amongst us today. Sir, we are very thankful to you that you have taken time out from your extremely busy schedule to be with us here and to inaugurate our AGM.
3. As far as I know, this is the first AGM of ISMA which is being held virtually. In fact, most of the meetings we had during the year have been virtual, but

despite that, our meetings have been very fruitful and we could see more participation than usual.

4. Sir, it is unfortunate that our industry continues to struggle to generate adequate revenue and savings on a continuous basis. Several sugar companies are under financial stress mainly because of a very high sugarcane price and a very high sugar inventory, which is blocking lot of our working capital.

B. SUGARCANE PRICING POLICY

5. The basic problem that our industry is facing, is the sugarcane pricing policy, which is totally different to what the other sugar producing nations follow in their countries. In India, the Government fixes the price of sugarcane i.e. Fair and Remunerative Price (FRP), based on cost of production of sugarcane and an element of assured profit as well so as to cover the risk of the farmers to grow sugarcane. The mark up above the cost of production of sugarcane, at an all-India average basis, is as high as 100%over the cost of producing sugarcane.
6. The A2+FL cost already includes all the costs incurred by the farmer including on account of own family labour and, therefore, anything more than A2+FL cost is in a way profit to the farmers. Sugarcane farmers in India are paid 100% more than the A2+FL cost, whereas in case of other competing crops like paddy, pulses, oil seeds, jowar, cotton, maize, ground nut etc, the mark up is in the range of only 50-65% over the A2+FL cost, except in the case of wheat, barley and gram, where the mark up is 75-100%.

7. It is because of this extra return of almost 40% over most of the other competing crops, that the farmers find sugarcane the most remunerative crop in the country. In addition to that, the sugarcane farmers has an assured buyer in the form of the sugar factory, plus sugarcane is the only crop where 100% of the farmers get the price fixed by the Government, unlike any other crop. Also, sugarcane being a sturdier crop, it can withstand some weather failures much better than other crops.
8. It is these benefits, along with the very high remuneration from sugarcane, that has resulted in surplus sugarcane being produced by the Indian farmers continuously over the last 10-11 years, except in a year when there was a major drought in Western and Southern part of the country. In other words, India is no longer a cyclical sugar producer, whereas prior to 2010-11 season, we used to have 2-3 years of high sugar production followed by a couple of years of low sugar production because the farmers very frequently shifted in and out of sugarcane, depending on timely or delayed payment for their crop.
9. This has resulted in continuous surplus sugarcane and surplus sugar production in the last 10-11 years and, therefore, India has become a structural surplus sugar producer and needs to be a continuous exporter of sugar into the world market.

C. SUGARCANE PRICING SYSTEM IN OTHER COUNTRIES

10. Sir, the International Sugar Organization (ISO), in its study in June 2019, has highlighted that 16 out of 22 major sugar producing nations have a system to

determine the cane price as per revenue realized by the mills from sugarcane and by products. India happens to be in the “exception” category of the 6 countries, which includes countries like Pakistan and China.

11. The problem comes up when India has to compete with the major sugar producing nations like Brazil, Thailand, Australia, EU, Russia etc., which have the revenue sharing formula to determine the sugarcane price automatically, at 62-66% of revenue realization from sugar and by-products. On the other hand, India’s sugarcane price being fixed by the Government, is not related to the revenue realization, thus making India a high-cost producer of sugar.
12. Sir, let me assure you that Indian sugar industry is one of the most efficient industries in the world and our cost of processing is amongst the lowest in the world. We become uncompetitive, because our cost of sugarcane is almost 50-60% more than the cost of sugarcane for the top sugar producing and sugar exporting nations.
13. There have been several committees appointed by the Government in the past which have all recommended for the revenue sharing formula, similar to what the world follows. CACP, in its last 5-6 reports, has every year recommended for adoption of a revenue sharing formula. Rangarajan Committee recommended to determine the cane price payable by sugar mills at 70% of revenue from sugar and by-products or at 75% of revenue from sugar alone. This suggested formula in India is higher than the world average of 62-66% of revenue, but we in the industry have given our acceptance to the same.

Anything above the said percentages would be detrimental to the industry and would be unsustainable.

14. Considering that Indian sugarcane farmers are small and marginal, CACP has also recommended that a Price Stabilization Fund (PSF) should be created to bridge the gap between what the Government wants the farmers to get and what the industry can pay as per the Formula.
15. Sir, NITI Aayog in its report of April 2020, has also recommended for the Revenue Sharing Formula along with a Price Stabilisation Fund (PSF). A multi Ministry Committee has been set up, which includes some important sugar producing States, to examine a mechanism on how such a revenue sharing formula can be implemented in India, along with the PSF.
16. Knowing that the BJP Government believes in reforms in the interest of the farmers, we are hopeful that such a revenue sharing formula along with the Price Stabilization Fund would be adopted very soon. It is important to mention before you Sir, that Indian sugarcane pricing policy has been challenged in WTO, and we believe that the legal experts feel it is important for India to amend its sugarcane pricing policy to bring it in line with the world practice and WTO rules.

D. ETHANOL PRODUCTION AND BLENDING WITH PETROL

17. One of the best policies that this Government has encouraged, for the sake of the Indian sugarcane farmers, Indian sugar industry, to reduce net oil import bill and also to improve air quality, is the ethanol blending with petrol

programme. Even though the programme was launched earlier, we were struggling to reach 1-2% blending in the country. The Hon'ble Prime Minister Mr. Narendra Modi, decided in December 2014 itself, in favour of a fixed pricing system for ethanol and followed it up with several incentives to increase ethanol production capacities in the country.

18. The industry has responded very well, and in the last 2 years, we have achieved 5% ethanol blending on an average across the country. In some States, we have even blended upto 9.5% with petrol. The industry is extremely keen on developing more ethanol production capacities, but due to delay in sanctioning of loans by the banks, the investment is slow. Banks are still not giving ethanol projects the priority they deserve, especially when the Government including the Hon'ble Prime Minister, give the programme so much importance. There is need to have some kind of standards or norms set for the banks on interest rates, tenure of loans, collateral security percentage, debt-equity ratio etc. if we want the investments to happen fast.
19. In addition to delay in loan sanctioning, there is delay in giving environment clearances. There are suggestions being given by the Independent Committee of the Government in the Environment Ministries, in the Centre and in the States, which are not in tune with the Government approved policies or the approvals given by the Central Pollution Control Board. To make the process faster, ISMA has also given several suggestions on how to reduce the total time period from the current average 16 months to 8 months.

20. Thanks to your Government Sir, almost all the States have accepted that ethanol is a subject matter of the Central Government and that the States should not be controlling its movement or levying taxes on it. Otherwise, it was a huge problem in moving ethanol between States and the permissions required, sometimes took a couple of months and, therefore, ethanol blending was not picking up well. Nevertheless, there are a few States like Rajasthan, West Bengal etc. which still continue to control ethanol movement and levy administrative charges etc. which are discouraging suppliers from supplying ethanol to these States.
21. I would also like to put on record the excellent cooperation of the OMCs who have been pro-active in agreeing to our suggestions on various aspects of the ethanol supplies including on transport cost, value of bank guarantees, number of tenders in a year, long term approved list of suppliers etc. It is with the cooperation of the OMCs, that we believe that in 2020-21, we should be blending about 8% ethanol with petrol and that by 2021-22, we should achieve the target of 10% fixed by the Government of India in its National Bio-fuel Policy for 2021-22.
22. There is, however, one pending request with respect to ethanol pricing policy or the ethanol pricing formula being put in public domain by the Government. The bankers, investors, suppliers etc. will get more confidence in the programme once they see the transparent ethanol pricing formula which the Government uses to fix ethanol price every year. Sir, through you we would

request the Government that the ethanol pricing formula be put in the public domain.

E. BY PRODUCTS AND REVENUE REALISATION FROM THEREOF

23. You would be aware that the sugar industry would be the most unique industry where everything which comes out of sugarcane is fully utilized not only to make sugar, but several other by products including power, alcohol, ethanol, bio-fertiliser, biogas, bio CBG and recently potash pellets etc. Sir, the water we get from the sugarcane is also fully utilized by us for our sugar processing, including for cleaning of plant and machinery etc. Beyond that, we get another 100 litres of water per ton of sugarcane crushed, which is surplus to our factory requirement, which we treat and bring it down to usable level and give to the farmers for their irrigation purpose. Sugar industry is, therefore, a unique industry which is a net generator of water.
24. Even after value addition to all the by products, which is done at a very efficient level, sugar continues to be the most important product and contributes for 75-80% of the total revenue generation. With higher quantity of sugarcane juice now getting diverted into ethanol, the 75 to 80% contribution from sugar may come down slightly, but we still need to remember that sugar will continue to always be the most important product.
25. On behalf of my Association and members, I assure you that we will continue to add value to each of our by-products and will ensure that nothing at all goes waste from the sugar industry. The latest is our effort to utilize fly ash from

our incineration boilers, to trap the potash and make potash pellets for use as fertilizer.

26. We are proud that we responded very strongly and immediately to the country's requirement when the COVID-19 pandemic started spreading in India, by setting up capacities across the country to produce hand sanitizers in bulk. Sir, you will recall that there was absolutely no shortage of hand sanitizers in the country as well as their price remained under control which was because of the quick response by the sugar industry. We continue to produce hand sanitizers in bulk for the sake of our fellow countrymen.
27. Recently, there has been a lot of negative talk about sugar, and how it increases obesity and causes some non-communicable diseases. None of these articles or discussions is based on any research or scientific evidence. It's a simple copy-paste job that most people are doing, which we in ISMA felt is not based on science and misleading. In order to bust these myths and unfounded articles, ISMA has started a campaign to convey the correct facts and give out the right information. As part of the campaign, the Food Secretary also launched ISMA's Portal meetha.org, which has been set up as a one-point source of correct information and knowledge to help consumers take informed decisions about consuming sugar or sugar sweetened products. In the days to come, we will develop the Portal further and also intensify our campaign to spread right knowledge on the subject.

F. TWO PENDING POLICY DECISIONS WHICH ARE CAUSING PROBLEM TO THE INDUSTRY

28. The **first** very important pending matter is with regard to the Minimum Selling Price (MSP) of sugar. Sir, it is your Government which understood the problem of the industry and the farmers, about the crash in sugar prices because of high sugarcane and sugar production, and accordingly introduced a new system of MSP of sugar in June 2018.
29. However, since then the MSP has been revised only once and that was way back in February 2019 to Rs. 31 per kilo. Over 22 months have passed since then, but the MSP has not been revised. This is despite the fact that the Government has increased the FRP for sugarcane from October 2020.
30. Sir, the NITI Aayog in its report of April 2020 has also recommended for an increase in the MSP, to Rs. 33 per kilo. Several States, including U.P. Maharashtra, Karnataka, Bihar etc. have also requested for the MSP increase to Rs. 33 to 36 per kilo, arguing that otherwise sugarcane price will not be paid on time. In fact, the Committee of Secretaries and thereafter the Group of Ministers under the Chairmanship of Mr. Amit Shah, the Hon'ble Home Minister, in July 2020 has also recommended for the increase in MSP of sugar to Rs. 33 per kilo.
31. It was recognized that while fixing the MSP, the Food Ministry had then ignored the interest burden on term loans and the depreciation charges in their calculation of cost of production to arrive at the MSP of sugar. Sir, this error needs to be corrected immediately. Sir, it may be noted that these recommendations for increase in MSP are not because of inflation, but

because of the aberration in the calculation of costs as also because of the recent increase in sugarcane price fixed by the Government from Oct. 2020.

32. We would request for an immediate decision on increasing the MSP of sugar to Rs. 34.50 per kilo, after considering the FRP increase also. The WPI weightage for sugar, which was 3.6% about a decade back, is just 1.06% now, and therefore, the above increase will not have any significant impact on WPI, as much as it used to have about 12-13 years back.
33. 65% of annual consumption in India is by bulk consumers and, therefore, the benefit of lower ex-mill price or MSP is taken by such large business houses. It does not get passed on to the consumers, by reduction in the price of their products. Sir, it is important to note that about 2-3 years back, the ex-mill prices were Rs. 34-35 per kilo and there were absolutely no issues with the consumers or households. A family of 4-5 members consume about 4-5 kilos of sugar a month, and therefore, a 2-3 rupees increase in the sugar price, increases the household budget by just Rs.10-15 per month only. But what it does is it ensures that our farmers get a remunerative price for sugarcane on time, without burdening our household budgets.
34. **Secondly**, during the last two sugar seasons the Government has created buffer stock of 30 lac and 40 lac tons, respectively, under which the carrying cost is reimbursed by the Government, provided sugar mills do not sell the buffer stock created by them. This removes 30-40 lac tons from the market and improves market sentiments, as well as reduces the pressure on sugar mills to sell that quantity of sugar. Sir, we believe that a proposal to create 40

lac tons of buffer stock for current 2020-21 sugar season is pending for decision by the CCEA. We would request you for your kind intervention in getting the approval for creation of 40 lac tons of buffer stock for 2020-21 SS also.

G. TWO IMPORTANT DECISIONS TAKEN IN LAST 3-4 DAYS

35. I would be failing in my duty if I don't put on record today our deep gratitude on the huge efforts put in by the Food Secretary, Joint Secretary (Sugar) and their team of officials for the two extremely important decisions taken by the Government in the last 3-4 days.

36. First is with regard to the approval of 60 lac tons of sugar exports with Rs. 3,500 crore of export subsidy and second is the budgetary allocation of Rs. 5,300 crore finally received by Food Ministry for payment of past subsidies.

37. Sir, both these decisions have happened only after you have taken over as our Minister. We are very grateful for your personal intervention to ensure that these happened.

38. Now, we hope and pray that you will also be able to convince the Cabinet on the other two matters i.e., on increase in MSP of sugar and buffer stock creation.

H. CONCLUSION

39. Sir, on behalf of ISMA, I wish to resubmit that the long term solution to tackle surplus sugar and to make the sugar industry truly "**atmanirbhar**", is to

rationalize policies on sugarcane, by giving the right price signals to the farmers. Those should include reforms in sugarcane pricing policy as also encouraging diversion of surplus sugarcane into ethanol by continuing with the policy of differential pricing of ethanol manufactured from different feedstocks. We should not adopt any ad-hoc schemes with any temporary intention to discourage plantation of sugarcane in the unfounded hope to reduce sugarcane area, because these policies do not work well and would in fact harm the sector in the long run, especially when we are trying to produce more ethanol from sugarcane.

I. ACKNOWLEDGEMENTS

40. 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 Shri Narendra Modi.
41. I wish to also thank the Hon'ble Cabinet Ministers of the Government Shri Nitin Gadkari, late Shri Ram Vilas Paswan, Shri Dharmendra Pradhan, Madam Nirmala Seetharaman and Shri Prakash Javadekar for their continued support and help for us.
42. I am very much thankful to Dr. P.K. Mishra, Principal Secretary to Hon'ble Prime Minister, Shri P.K. Sinha, Principal Advisor to PM, Shri Amarjeet Sinha, Adviser to PM and all senior officials of PMO for their help and guidance on a regular basis.

43. I would specially thank Secretaries to Government of India, Shri Sudhanshu Pandey, Shri Tarun Kapoor, Shri Anup Wadhawan and Shri Debashish Panda for all the encouragement, their patience and positive attitude towards our problems and demands.
44. I am also thankful to Shri Subodh Kumar Singh, Joint Secretary (Sugar) and his team including Shri Vivek Shukla, Chief Director (Sugar), Shri Jitendra Juyal, Joint Director (Sugar & Vanaspati Oils), Mr. Rajesh Yadav, Under Secretary in Department of Food and PD and other officials of the Ministry and Sugar Directorate for their help and assistance.
45. I am thankful to Shri Sunil Kumar, the Joint Secretary (Petroleum) and his team including Shri Sushil T. Williams, Deputy Secretary, Shri Peeyush Agarwal and Shri Manish Sarda for their help and guidance.
46. I thank Shri Ramesh Chand, Member, Niti Aayog and Shri Vijay Paul Sharma, Chairman, CACP for their understanding of our problems and their positive recommendations for the sector.
47. I would thank the CMDs and senior officers of the Oil Marketing Companies viz. IOC, BPCL and HPCL for their cooperation, smooth procurement and assistance in the ethanol blending programme.
48. I am thankful to Shri 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.

49. A special thanks to Shri Adhir Jha, CEO and MD of Indian Sugar Exim Corporation and his team of officials, for their continued contribution for the welfare of the Indian sugar industry. I also thank the officers and staff of ISEC for their assistance and support.
50. 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 Shri Niraj Shirgaokar who has always been available for consultation and advice.
51. I wish to record my appreciation for the hard and dedicated work put in by the officers and staff of ISMA. They are indeed very efficient and are always willing to put in their best efforts. I would specially like to thank Shri Abinash Verma our Director General. He has tremendous knowledge covering all the facets of the sugar industry including ethanol and cogeneration of power as well as issues relating to FSSAI, pollution, WTO Rules and Regulations etc. ISMA is indeed fortunate to have him at the helm to manage the affairs of the association.
52. 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.
53. 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 even during my second tenure as

ISMA President and without all your help we would not have made any progress.

JAI HIND.