



PRESS RELEASE

ISMA & NFCSF support the recommendations of the Rangarajan Committee Report submitted to the PM

The Indian sugar industry submits before the Government to accept Rangarajan Committee recommendations and abolish the regulated release mechanism and remove the levy sugar burden from the sugar industry with immediate effect.

The much awaited report of Rangarajan Committee, appointed by the Hon'ble Prime Minister of India, on reforms in the sugar and sugarcane sector, was submitted to the Hon'ble Prime Minister on 12th October, 2012. A Press Conference was held by the Committee Members headed by Dr. C. Rangarajan, explaining the reasons for the recommendations.

2. The Committee has recommended the following reforms:

- (i) Discontinuance of the policy of cane area reservation followed in some sugar producing States with an intention to give freedom to farmers to choose the buyers for their sugarcane.
- (ii) Determination of sugarcane price by linking it to the revenue realized by sugar mills from sale of sugar and first stage by-products.
- (iii) Removal of the minimum distance of 15 kms/25 kms between two sugar mills.
- (iv) Removal of obligation from the sugar industry to supply 10% of their production as levy sugar for the PDS at a discounted price;
- (v) Abolition of the regulated release mechanism under which the sugar mills are told every month/quarter to sell a certain fixed

quantity of sugar. Non-compliance of the same invites penal action or conversion of unsold quantity into levy sugar.

- (vi) A freer international trade policy wherein quantitative controls and time restrictions on export and import of sugar should not be prescribed by the Government. Instead, the Government should follow a tariff rate policy to manage the import/export of sugar as per the requirement in the country.
- (vii) Exempt sugar from the compulsory packing order under the Jute Packaging and Marking Act, 1987, which will give freedom to the sugar mills to decide on the packaging material to be used, as per availability, quality and pricing.
- (viii) A market determined pricing policy for the sale of by-products like molasses, bagasse and press mud, giving full freedom to the mills to sell these products and any value added products thereof.

3. Rangarajan Committee has very clearly recommended for immediate deregulation of two important controls involving abolition of regulated mechanism and open market sugar purchases by the Government for the PDS. These two controls are seen to be archaic and have outlived their utility in today's world. No other industry in India or any sugar industry in any of the countries in the world, are subjected to these two controls.

4. Rangarajan Committee has accepted that the levy sugar burden is being cross subsidized by the open market consumers who consume 90% of the sugar and also that the losses suffered by the sugar mills are partly transferred to the farmers. Therefore, there is a very strong case that similar to the other commodities, where the Government procures the same from the open market, sugar also should be procured by the Government from the open market, such that financial burden of this social welfare programme of the Government, is borne by the Government, and not by the sugar mills or the farmers or the open market consumers.

5. The regulated release mechanism adversely impacts smooth cash flows of sugar mills, who are unable to sell their sugar as per their cash

flow requirements to pay to the farmers, especially during the crushing season, leading to either cane price arrears of farmers or borrowing of working capital at 14-16%, increasing their costs of production and making them uncompetitive especially in the international market. Rangarajan Committee as well as the Government Ministries have, at various times, accepted that the regulated release mechanism is unable to meet its objective of controlling sugar prices. Sugar is the only commodity subjected to this kind of controls. If the Government is able to control prices of other commodities without having a regulated release mechanism, why should they have a special and unfortunate treatment for sugar?

6. Therefore, as recommended by the Rangarajan Committee, ISMA and NFCSF together appeal to the Government to remove the levy sugar burden from the sugar industry and abolish the regulated release mechanism with immediate effect.

7. Rangarajan Committee has also recommended for removal of sugar from the JPMA, and give freedom to the industry to choose their packing material. Rangarajan Committee has accepted that compulsory use of jute bags for sugar leads to increased cost of Rs. 40 per quintal of sugar, which translates into an annual loss of Rs. 1000 crore to the industry. Part of this is usually not only passed on to the farmers in the form of lower cane price, but also to the consumers by way of higher sugar price. The Government is also itself not able to find jute bags for packaging its own foodgrains and have decided to allow 10% of foodgrains to be packed in non-jute bags. It is accepted that jute bags are good for foodgrains but seriously harms sugar since it allows moisture regain in such a highly hygroscopic commodity like sugar.

8. The Government has already taken steps for open export-import policy of sugar, which we welcome. Steps to encourage utilization of by-products for production of renewable power and ethanol as bio-fuel for blending with petrol, in tune with the recommendations of the Rangarajan Committee, would also be highly welcome.

9. Recognizing that the controls on sugarcane, mentioned at Sl. Nos. (i), (ii) and (iii), will affect about 50 million farmers and their families, mostly

small and marginal having 1-2 hectares of farm land, and that these powers are mostly exercised today by the State Governments, Rangarajan Committee has recommended that detailed deliberations need to be held with the States and the farmers need to be convinced on the advantages of the same. It has, therefore, recommended deregulation of these controls over a period of 2-3 years.

ISMA and NFCSF agree that the reforms on the sugarcane side need further discussions amongst the State Governments, farmers and the sugar mills to incorporate views of all the stake holders in the new policy framework.

10. Concluding, the sugar industry welcomes the Rangarajan Committee recommendations which would help achieve an annual growthrate of 15-20%, taking the Rs. 80,000 crore industry to Rs. 1,60,000 crore in the next five years. With a more predictable and stable policy environment, large scale investments are expected to be attracted, which would improve efficiencies both at the factory and farm levels. Research for better seed varieties would give better returns to the mills, better sugar quality to consumers at a stable price and increased productivity to the farmers giving them better returns from the same piece of farm land.

Therefore, the Indian sugar industry, very humbly but emphatically, would like to submit before the Government to accept Rangarajan Committee recommendations and abolish the regulated release mechanism and remove the levy sugar burden from the sugar industry with immediate effect.

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