

INAUGURAL ADDRESS OF PROF. K.V. THOMAS, HON'BLE MINISTER OF STATE (I/C) OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION, GOVERNMENT OF INDIA AT THE 79TH ANNUAL GENERAL MEETING OF THE INDIAN SUGAR MILLS ASSOCIATION (ISMA) ON WEDNESDAY, THE 11TH DECEMBER, 2013 AT 10:30 A.M. AT THE OBEROI HOTEL, NEW DELHI:

Shri Sudhir Kumar, Secretary, Department of Food & Public Distribution, Shri M. Srinivasan, Shri Ajit S. Shriram, the outgoing and incoming Presidents respectively of the Indian Sugar Mills Association (ISMA), Shri Abinash Verma, Director General, ISMA, Committee Members of the ISMA, friends from the media, ladies and gentlemen:

2. I am very happy to be here today at the 79th Annual General Meeting of the ISMA. As you all know, 2013 has been a watershed year for the Indian sugar industry as the Government has been able to remove the major regulatory controls on the sugar sector and laid the roadmap for its further liberalization. The industry is now free to sell its main product i.e. sugar without governmental directions and the levy obligation, which has been a major aspect of discontent in the industry and this has, now, been removed. The Government has willingly taken over an additional subsidy burden of around Rs. 3000 crore per annum to ensure the sugar supply at concessional rates for Public Distribution System. I am sure the industry, especially the mills, has been working on reaching this benefit to the people in general and the sugarcane farmers in particular.

3. While being part of this epoch decision making gives me immense satisfaction, I am equally worried and concerned about the slump witnessed in the domestic sugar prices in the last few months. The current situation has not only created cash flow and profitability issues for the sugar mills but has also led to pendency of Cane payments to the sugarcane farmers on account of supplies made by them during 2012-13 sugar season. We all know that the major reason for the scenario that we are in today is the simultaneous glut in production seen globally which has made the exports of the surplus sugar stocks from India a difficult proposition.

4. As is well-known, India has entered into the fourth year of production of sugar over and above the domestic consumption requirements. While during the initial years of this phase of high production, the global prices of sugar ruled above the domestic prices and costs, and the equilibrium was provided by exports. But this is not so, from the sugar season

2012-13 onwards. One important matter of concern to us is why do we produce more than what can be consumed domestically or can be pushed in the global market? Going by the experience of the earlier cycles of excess domestic sugar production, it must be possible for us to modulate our product mix in the beginning of the sugar season and even during the course of the season.

5. Sugar mills need to diversify their product mix. They have to produce what the market wants. For instance, the export market does not want our plantation white sugar. The demand is for refined sugar and raw sugar. Production of fuel ethanol is another area of diversification. Over the last decade or so, considerable amount of concessional SDF funding has been made to create ethanol capacities. Necessary provisions have been made in Sugarcane (Control) Order to facilitate production of ethanol from cane juice by the sugar mills. 5 % blending of ethanol has been made mandatory. Yes, there are procurement issues between the sugar mills and the oil marketing companies, which government is trying to settle. However, a realization has to dawn on the sugar millers, especially the stand alone and small units that the need of the hour is diversification and producing sugar alone will not help us as such an outlook keeps on landing us in problems which we are facing today.

6. As far as processing of sugar is concerned, unless and until we reduce the cost of production drastically, I am told, we may not be globally competitive. While the contribution of state advisory prices of cane to the higher cost of Indian sugar manufacturing cannot be denied, at some level let us understand and agree that the cost cutting through reduced remuneration to the Indian sugar farmers is not going to be a sustainable, long term solution. The bigger part of solution lies on increasing productivity of Indian sugarcane cultivation, for which concerned sugar mills have to increasingly take lead role in their respective catchment areas. This is one issue close to my heart and my Department of Food & Public Distribution has recently submitted a report on the ways to enhance the sugarcane productivity and sugar recovery in the country. Hopefully, with the active involvement of the industry and the research organizations, we would gradually build up effective interventions so that the productivity and recovery levels of Indian cane cultivation improve.

7. Many of you might be aware that under the directions of Hon'ble Prime Minister, a group has been constituted under Agriculture Minister, Shri Sharad Pawar ji to look into the

issues with which the sector is presently besieged. We had a very fruitful round of discussion in the presence of the Hon'ble Chief Ministers of Uttar Pradesh, Maharashtra and Karnataka last week and very soon my Department would be moving towards giving immediate relief to the industry as per the advice received during the discussion.

8. As regards the other demands of the industry, the compulsory jute packaging norms have already been liberalized from 100% to 60% and now to 20%. The import/export issues like the Duty Free Import Authorization are in the active consideration of Ministry of Commerce. The practical issues related to SDF have been represented before the department earlier also and a just and fair decision can be expected.

9. Adoption of the sugar price sharing formula as per Dr. Rangarajan Committee report is the repeated demand of the industry, and I am pleased to know, which I would like to share with you, that the Karnataka Government has already constituted a sugarcane control board to advise and recommend cane prices. Similarly, I am given to understand that the Maharashtra Government is also considering constituting a board with a similar mandate. The Uttar Pradesh Government has constituted a Committee under the Chief Secretary to consider the appropriate modalities for cane price fixation.

10. I know that we are in the midst of changing times when the old paradigms, old systems of doing business and the earlier regulatory dispensations are yielding way to an increasingly open working climate, well connected to the global market. The swift decision making and efficiency are going to be the key survival tools in this age of cut-throat competition. I have faith and confidence that this important industry will definitely come out with flying colors through the current state of turmoil.

11. Before I conclude, I must congratulate and compliment outgoing President, Shri M. Srinivasan on a very eventful and satisfying innings. The incoming President, Shri Ajit S. Shriram has to take the task forward, and I wish him all success in this endeavour. My best wishes to the ISMA on the completion of another year of achievements and my assurances on meaningful support to the industry and its contribution to the growth of the Indian economy.

THANK YOU! JAI HIND!