

Sugar

The sugar industry is moving towards a stricter control regime rather than towards complete decontrol. On 8 April 2003, the Rajya Sabha passed the Essential Commodities (Amendment) Bill. The proposed amendment is aimed at strengthening the releases mechanism, that governs the quantum of sugar that mills are allowed to sell in the open market, by bringing it directly under the purview of the Essential Commodities Act. At present, the Union Government's powers to allocate free sale sugar quotas to sugar mills are derived from the Sugar (Control) Order, 1966, which is a legislation subordinate to the ECA. The bill now awaits approval in the Lok Sabha, where it will have to be passed and subsequently notified for it to become a law.

The proposed amendment of the ECA is aimed at propping up sugar prices, which have plunged over the last year, as sugar mills have approached the courts and obtained orders to offload sugar in excess of the free sale quota allocated to them. As the ECA is listed in the Ninth Schedule of the Constitution, no court can challenge the government's powers to issue release orders under this act.

Official sugar releases for April–June 2003 are 29.45 lakh tonnes, the lowest releases in any quarter during the last seven years and 19.3 per cent lower than during April–June 2002. The government has taken a belligerent stance against mills which flouted the releases mechanism and also could not furnish proof of using the realisations for the payment of sugar cane prices to growers. It has barred 150 mills from releasing sugar during April–June 2003 by not allocating any free sale quota to them.

The shockingly low amount of releases has come at a time when the sugar industry is staring at a bumper output for the fourth year in succession. Production in January and February 2003 were at record highs. Cumulative production during October–February 2002–03 was 128.9 lakh tonnes, 0.5 per cent higher than in the corresponding period of 2001–02. We expect sugar production to touch a record high of 190 lakh tonnes in 2002–03. During 2001–02, 185.4 lakh tonnes of sugar were produced.

Successive increases in the Statutory Minimum Price of sugar cane and lower sugar prices have eroded the finances of sugar mills. Many mills in Uttar Pradesh are reportedly making only partial payment to cane growers in the form of an advance price. These advance prices, set by the district authorities, are lower than the SMP of Rs.69.5 per quintal fixed by the government. Union Agriculture Minister, Ajit Singh, has threatened to file a public interest litigation against the mills for their failure to pay the SMP.

Sugar Prices: Oct–Apr

	Rs./quintal	% chg.
S-30 Mumbai		
2001–02	1422	-1.02
2002–03	1207	-15.10



Sugar Releases: Oct–Jun

	'000 tonnes	% chg.
Total		
2001–02	11209	-4.57
2002–03	9941	-11.31
Levy		
2001–02	1984	-34.33
2002–03	1641	-17.29
Free		
2001–02	9225	5.73
2002–03	8300	-10.03

Sugar Trends: Oct–Feb

	'000 tonnes	% chg.
Production		
2001–02	12827.1	1.89
2002–03	12888.0	0.47
Opening Stocks		
2001–02	11832.9	18.22
2002–03	10900.0	-7.88
Closing Stocks		
2001–02	17178.0	11.04
2002–03	16481.0	-4.06

