CHAPTER - II

ORIGIN AND GROWTH OF CO-OPERATIVE SUGAR FACTORY IN INDIA AND TAMILNADU
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2.0 INTRODUCTION

Sugar industry occupies an important place in the Indian economy. It is the second largest agro-based industry in India. Sugar has been known to India for a very long time and on the basis of certain conclusive proofs, India can rightly be called the home land of sugar. It is the agro-based industry with immense potential for transforming the rural economy into a self-generation one and for developing centers of industrial development wealth and prosperity through agro-based complexes.

The importance of the industry to the country's economy arises from the fact that it made the country self-sufficient in sugar which before protection used to be largely imported to the extent of nearly a million tons per annum. The growth of indigenous industry had a sprawling influence on the rural economy. Specially in U.P and Bihar which accounted in the beginning for about 78% of total production [Cane Area] and later on Maharastra, Gujarat, Tamilnadu, Karanataka, Andhapradesh and Punjab. Its by-products like Molasses and Bagasse provide raw materials for other important industries like power, alcohol paper, paper board, strawboard etc.

India is the fourth major sugar producing country in the world the first three being U.S.S.R Brazil and Cuba in that order with 365 sugar mills with an investment at about Rs. 1800 Crores. It provides employment to
nearly 3.6 lakhs workers including a large number of technicians and highly skilled workers besides sustaining 25 million cultivators of sugarcane, various agencies of trade and subsidiary industries e.g. Confectionary. The contribution of the industry to the revenues of both central and state governments in the form of various taxes is about Rs. 200 Crores. Among the agro-based industries, the sugar industry in India holds the pride of place as an instrument of rural reconstruction and development.

2.1 DEVELOPMENT OF SUGAR INDUSTRIES IN INDIA

The sugar industry being the second largest organized industry next to the textile industry, plays an eminent role in the economic life of India. The sugar industry has great significance which cannot be devalued in its relationship agricultural and industrial economy of the rural region of India. It is an industry which affects agricultural fundamentally. Therefore the expansion of sugar industry in India. Specially in Bihar it is an indispensable factor for the uplift of socio-economic life of rural Bihar. Sugar is an agro-based industry. Located in rural areas. Sugar industry has provided the most effective instrument for carrying progressive friends into the country side.

The importance of this great industry in the national economy at the country needs hardly about Rs.16 Crores per annum. with the complete cessation of sugar imports, is supporting marginally less than 20 million agriculturists whose interests are dissolutely linked up with the future of this country, has led to the development of the village industry of 'GUR' manufacturing, has provided a channel for investment of indigenous capital
estimated at Rs. 33 Crores has been responsible for finding employment to less than 3,000 University men. 10,000 labour skilled and unskilled has made the country completely self-sufficient in respect of supplies of sugar, available article on the dietary of million in the country and premises to develop further with the general improvement in the economic conditions of the people.

Sugar has been known to India for about 2000 years and there is sample evidence to show that India is the original home of sugarcane as also of sugar manufacture sugar has been mentioned in the epics as one of the Amritas celestial sweets. Nothing tastes so sweet as sugar. Even the English term 'Sugar is derivative of the Sanskrit word 'SARKARA'. The word sarkara was in vogue in prokrit literature for sugar. Therefore its mention is found in many languages with different names varying preoccupation resembling in some way.

The historical development of modern sugar in India is demonstrated by the authentic accounts of Mr. Minden Wilson about several indigo concerns in his reminiscences of Bihar when he had come to Calcutta in 1847. In fact, the history of sugar in the remote port is romantically intermingled with the history of indigo and saltpepper.

Kurnowal Factory was built in 1803 by Dr. Finch who also built Doorea factory where he was in 1793. He had come to the country in 1778. Motipur was built by the Dutch in 1789 as a sugar factory in 1816. It is to become one of a group of indigo factories owned by M/S Noel & Co. Narharsh factory was working as a sugar factory in 1847-48 when it was
managed by L. Cosseratt, who also managed Jay Nagpur sugar factory. But both these concerns had been indigo factories before sugar was manufactured. Ryam was an outwork of Pandoul factory brought by Mr. Danbeny, who grew indigo there.

2.1.1 TARIFF PROTECTION AND ITS IMPACT ON THE SUGAR INDUSTRY

The sugar committee of the Imperial Council of Agricultural Research established in 1929 was changed with the task of examining and reporting on measures necessary for the development of the sugar industry in India. The sugar industry in India to institute an enquiry through the Tariff Board as to whether protection should be given to the Indian Sugar Industry. This ultimately resulted in the enquiry of the Tariff Board and culminated in the grant of protection to the sugar industry in a glorious chapter in its history.

A Tariff Board was appointed in 1930 to examine the question of granting statutory protection to the sugar industry. The Tariff Board submitted a comprehensive report in 1931 with the recommendation for according protection to uses in a glorious chapter in its history.
of the Tariff Board, grant of protection to sugar industry was essential to give necessary relief to the cane growers on the one hand and to ensure the survival and development of the white sugar industry.

The ground for protection to the industry had been already prepared by the Indian fiscal commission too in its report in 1922. The commission had made the grant of protection conditional. For instance, the industry must be in possession of natural advantages in the shop of adequate supplies of raw materials. Cheap power sufficient supply of labour force and a large home market. The Tariff Board subsequently found that India had the largest area under sugarcane which was six times as much as that at Jawa.

India was one of the largest consumers of sugar in the world with regard to her home market. At the time of grant of protection to the sugar industry in 1932, out of the 31 sugar industries in the whole of India 14 were located in U.P and 12 in Bihar. North Bihar’s share with regular to total number of sugar factories in India was 38 per cent. The total production of the 29 factories and the 14 felonries at the time of the enquiry & Tariff Commission was not about one lakhs tons every year. Further the production of sugar by indigenous process popularly known as Bal process was one of the order of 2 lakhs tons. While recovering the second condition of the Fiscal Commission, the Tariff Board’s conclusion was that “In every direction then, the absence of protection would mean disaster for the Indian sugar industry and the abolition or reduction of the present revenue duty which indirectly affects substantial protection would be followed by an
agricultural crisis of far reaching dimensions". As regards the third condition, the Board opined that in view of the vast potentialities for cane cultivation.

2.1.2 SUGAR RELEASES

Sugar releases during 2001-2002 are less than the previous year the realizations are also low. The market economy has been ruled by the burgeoning stock of sugar.

During the year a sugar factory in U.P was permitted by the High Court to sell and despatch sugar without release order in order to clear this cane price arrears. This has been challenged in the Supreme Court by the Government of India. The Supreme Court is yet to take a decision on it. Apart from it, some factories have been given advance free sale release by the Directorate of Sugar on their request to clear cane price arrears. The NFCSF along with ISMA has represented on June 18, 2002 to the Hon’ble Minister of Consumer Affairs, food and public distribution to at least temporarily suspend the practice of advance releases to various sugar factories so that market confidence is built up.

2.1.3 BUFFER STOCK

The National Co-operative Development Corporation [NCDC] had invited representatives of NFCSF, Maharashtra, State Federation of Co-operatives Sugar Factories Ltd., and some Co-operative Sugar Factories on Feb 15, 2002 to discuss the implications of total decontrol of sugar industry. It was unanimously agreed at the meeting that the sugar industry is paying
dearly on account of carrying the mounting stock of sugar and that the Government should consider creation of buffer stock of at least two million tonnes to reduce the burden on the industry.

As there is provision in the Sugar Development Fund Act 1982 for betraying expenditure for the purpose of building up and maintenance of Buffer stock of sugar, many members of Parliament who have been concerned about the critical financial condition of the sugar industry have also supported the industry’s request for creation of the Buffer stock and requested the Government for early action on the subject. In spite of all efforts the Government has not agreed for it.

2.1.4 SUGAR DEVELOPMENT FUND

The Government of India has vide the Gazette of India notification number 33 dated May 28, 2002, amended the Sugar Development Fund Act 1982[SDF] extending the application of SDF loans to sugar factories or any units there of for.

"Bagasse based cogeneration power projects with a view to improving their viability”.

"Production of anhydrous alcohol or ethanol from alcohol with a view to improving their viability”.

"Defraying expenditure on internal transport and freight charges to the sugar factories on export shipments of sugar with a view to promoting its export".
The procedure for claiming the reimbursement of internal transport and freight charges has been notified vide Gazette Notification No. GSR.443[E] dated June 21, 2002.

The Government has so far not acceded to the request of NFCSF to grant some relief to incentive sugar factories. Recently, NFCSF requested the Government to provide additional 10% free sale quota to incentive factories. This also has not been accepted. The matter is being pursued.

2.1.5 ABOLISHING OF TURNOVER LIMIT PERIOD IMPOSED ON SUGAR DEALERS

In a bid to further liberalize the sugar trade and considering the availability of sugar, the Government of India vide Gazette Notification No. S.O 803[E] dated Aug 20, 2001 abolished the turnover period unit of 30 days imposed on recognized dealers of sugar.

2.1.6 SUGAR EXPORT

As a step towards decontrol of sugar industry, the Government Vide Public Notice No. 13 1997-2002 published in the Gazette of India dated May 16, 2001 removed the quantitative ceiling on export of sugar and also dispensed with the requirement of issue of Registration - Cum - Allocation certificate by the Agricultural and Processed Food Export Development Authority [APEDA] April 1, 2001. In order to promote exports, the Government also granted levy exemption on the quantity of sugar exported. The quantity of sugar exported has also been treated as advances free sale release to be adjusted after a period of 18 months from the date of release. Further, the State Governments of the major sugar producing States were
also requested by the Government to give remission in purchase tax on sugarcane on the quantity of sugar exported. The Government also, vide press date Nov 13, 2001 permitted sugar factories to export raw sugar. In Nov 2001 permitted sugar factories to export raw sugar. The Government also announced amendment of SDF Act for providing reimbursement of internal transport cost of sugar factories for sugar exports for making the commodities shipment from the country competitive and the notification was issued on May 28, 2001. All these moves are designed to boost sugar export.

Last year the industry exported 11 lakhs tonnes of sugar and had the potential for another five lakhs tonnes. But the news of a possible subsidy amounting to Rs. 600-800 per tonne towards fright reimbursements resulted on both the sugar factories and importers preferring to wait till policy announcements before placing fresh contracts. This wait has proved to be costly for the sugar prices collapsed on the news of a bumper sugarcane crop in Brazil.

Further, the reduction of DEPB rate from five percent to 4% of the FOB value of sugar under the Exim Policy 2002-07 announced by the Commerce Ministry on March 31, 2002 will also prove to be detrimental to export. The DEPB at 5% of the FOB value of sugar was allowed by the Government on Nov 1, 2000 when sugar exports had declined considerably consequent to the withdrawal of Sugar Export Promotion Act, 1958 Jan 15, 1997. As 5% DEPB was not enough to boost the sagging sugar exports, the industry represented for 8% DEPB of the FOB value of sugar.
2.1.7 CHANGES IN THE RATIO BETWEEN LEVY AND FREE SALE SUGAR

The Union Minister of Finance Mr. Yashwant Sinha in his Budget for 2002-03, announced reduction of Levy Sugar Quota from 15% to 10%. Accordingly the Government of India (Vide Gazette Notification No.157[E] dated March 1, 2002. Directed that every domestic producer and importer of sugar shall sell, 10% of the sugar produced or imported from March 1,2002 to the Central Government or as directed by them under levy sugar supply [Control] order.

The Government has also announced its decision to effect complete decontrol of sugar after operationalization of futures forward trading in sugar during 2002-03 financial year.

2.2 FUTURES TRADING

The Cabinet Committee on economic affairs, approved on April 26,2001 commencement of futures trading in sugar and the Government vide Gazette notification dated May 14,2001 amended the Forward Contracts [Reg]Act 1952, paving way for futures trading in sugar. 'Sugar' was taken out of the pre view of section 17 of the Act and placed under sec 15, which specifies the list of commodities on which futures trading is permitted Further, the Government vide press note dated Nov 13,2001 granted approval to three exchanges for the purpose of futures forward trading in sugar. As a further step towards decontrol of sugar industry and in order to facilitate futures forward trading in sugar, the Government also announced release of factory-wise free sale sugar on quarterly basis instead
of monthly basis with permission to sell additional 10% of the quarterly quota.

The Board of Directors at its meeting held on Jan 22, 2002 decided to take 25% Jan 22 equity in one of the licensed exchanges through Indian Sugar Exim Corporation. After going through the presentations made by the three licensed exchanges, viz., E-Commodities Ltd., Mumbai, NCS Infortech Ltd., Hyderabad and E-Sugar India Ltd., Mumbai, It was decided to take equity in E-Commodities as it has tie-up with Malaysian Derivatives Exchange and has technical and crucial inputs for competent conduct of trade.

2.3 FREE SALE SUGAR

The Indian Sugar Industry has been in a precarious situation for some time with more free sale sugar on hand and with the shift to quarterly release mechanism, the sugar factories should have had more operational flexibility in the matter of deciding quantum and timing of sales in the open market. But it was not so. The burden of the mounting stock of sugar of previous years forced the prices. In order to check this fall in prices, the NFCSF along with ISMA represented to the Government vide letter dated Nov 22, 2001 and again by itself vide letter dated Dec 6, 2001 to permit sugar factories to sell 40% of the allotted quarterly free sales quota in each of the 45 days of the quarter with the freedom to sell the balance 20% of the quota and 10% at any time. The Government instructed factories to sell 50% of its quarterly quota in first 45 days. As this also did not help the situation, the NFCSF requested the Government to revert to the monthly
free sale quota system, with advance announcement of three months quota for each factory to avoid distress selling the Government has reverted to the monthly quota release system for the quarter July 2002 to Sep 2002.

The sugar industry is expected to be completely decontrolled by 2002-03. The Union Minister for consumer affairs, food and public distribution, at a press conference held on Feb 6, 2002 stated that full decontrol of sugar will take sugar after operationalization of futures forward trading in sugar and that the Government intends to take the following five steps before complete decontrol.

1. Sugarcane price rationalization, improving viability of sugar mills by promoting utilization of by-products such as ethanol and co-generation of power. The Governments have already announced in the Parliament that sale of petrol blended with ethanol at the rate of five percent in the country will be implemented in two phases. Further, the Union Budget for 2002-03 has lowered the surcharge on ethanol based fuel by 75 paise per litre.

2. Profitable use of by-products by giving loans from Sugar Development Fund.

3. Provide export incentive by giving transport subsidy to sugar export.

4. Setting up of futures/forward trading centers.

5. To cover sugar and sugar products under voluntary certification marks scheme of the Bureau of Indian standards, to improve quality of sugar and help to establish credibility of Indian sugar in International Market.
2.4 LEVY SUGAR

The levy obligation on sugar factories has been reduced to 10% from 15% March 1, 2002. The Government has announced complete decontrol by 2002-03. which means that the Government will purchase sugar from open market and subsidises it for distribution under Public Distribution System for below poverty line population.

The Government has, considering the representations from a large number of sugar factories permitted them to sell in open market the levy quota which had remained uplifted after lapse of three months from the date of allotment. However the levy obligation of the concerned sugar factories will remain unchanged.

2.4.1 LEVY SUGAR PRICE

The levy sugar prices for the year 2001-02 was notified by the Government vide Gazette of India Notification No.NSR 13(E)ESS. Comm/Sugar dated Jan 7, 2002. The All India average in levy sugar prices shows an increase of only about Rs. 27 per quintal and as there has been decline in the free sale realization and levy price was reduced considerably during the year. Consequently many states defaulted in lifting of the allotted levy sugar quota.

2.4.2 RETAIL CONSUMER PRICE OF LEVY SUGAR

Consequent to the price increase in levy sugar price for 2001-02 the issue price of levy sugar was increased to Rs.13.50 per kg from Rs. 13.25 per kg March 1, 2002 vide Government of India Gazette Notification No.GSR 156(E)ESS. Feb 28, 2002.
2.5 CO-OPERATIVE SECTOR OF THE SUGAR INDUSTRY

The Co-operative sector of the sugar industry, which had its beginning in 1934 with the establishment of the first Co-operative sugar factory in India. Viz., Etikoppaka in Andra Pradesh has witnessed vast changes in the economic policies till 1991 the principle of Co-operation was being assigned an important role for the country’s economic development, particularly for industries based on agricultural produce such as sugarcane under this policy. The Government was giving preference to licensing of new sugar factories in Co-operative sector from 1991 to 1998 i.e., till delicensing of the sugar industry the Government guidelines for licensing of new sugar factories continued to give preference to Co-operative sector over the private sector but with the emphasis on liberalization, increase in share capital contribution of sugarcane growers and reluctance of financial institution to grant loan, the Co-operative sector of the sugar industry could not make as rapid a progress as it was making earlier. With the delicensing of the sugar industry W.E.F August 31, 1998 many structural adjustments had to be made especially during the last two years when the Government had in tune with the new world economic order, introduced a spate of reforms in the sugar sector. For the sugar Co-operatives, which are formed by the small and marginal sugarcane farmers, The transition from the protected to the liberalized economy has not been easy. However the NFCSF has accepted the challenges of the structural and operational changes and continuously exploring methods to make the Co-operatives
sector of the sugar industry technically advanced and cost effective. It is also sharpening its marketing skills to compete effectively.

As on March 31, 2002 there are 1892 registered sugar factories. Out of these 527 are already installed shows the state-wise and sector-wise position of sugar factories installed as on March 31, 2002. The balance 1365 sugar factories are registered under Industrial Entrepreneurial Memorandum [IEM].

2.5.1 PROGRESS OF THE CO-OPERATIVE SECTOR

The progress of the Co-operative sector of the sugar industry from the period 1960-61, when the NFCSF was established on March 31, 2002. As compared to 34 Co-operative sugar facilities producing only 17.4% of the total sugar production in 1961-62 there were as many as 249 Co-operative sugar factories in operation during 2001-02 and were responsible for production of 54.7% of the total sugar output of the country.

In the matter of sugar recovery from sugarcane also the Co-operative sugar factories have scored over the private. Four Co-operative sugar factories viz., Hutatma, Bhogawati-Parite, Kumbhr, Kesari and Chattrapati, Shaul-Kagal have achieved above 13% recovery from sugarcane with 13.25%, 13.16%, 13.10%, and 13.03% recovery respectively during 2001-2002 as against none from private sector. Hutatma factory in Maharastra has, for the third consecutive year, broken its own previous two years record and achieved the distinction of achieving record sugar recovery % cane of 13.25%. In 2000-01 and 1999-2000 it had a sugar recovery % cane of 13.18% and 13.10% respectively. Further, Bardoli sugar factory in
Gujarat has been the largest sugar producer for more than two decades till 2001. It’s production has been approximately 20% of Gujarat’s sugar production.

A total of 99 sugar factories did not work during the year, out of which 56 belonged to the private and public sector and 43 belonged to the Co-operative sugar factories which did not work during 2001-2002 four were from Andra pradesh, one from Assam, six from Gujarat one from Karanataka, one from Kerala, 25 from Maharastra, one from Orissa, Punjab, Rajastan, Tamilnadu and Uttar Pradesh.

The increasing number of sugar factories closing down or turning sick can mainly be attributed to liquidity crisis in the factories due to bounding stocks of sugar and consequent low realizations. The sick sugar mills belonging to private and public sectors have been referring to the Board for Industrial and Financial Reconstruction [BIFR] for revival. But as there was no such provision for the Co-operatives, the NFCSF and the Mahajan Committee had recommended a body similar to BIFR for revival of sick co-operative sugar mills. As per the recommendations of the Mahajan Committee, the Government constituted a Committee under the chairmanship of the secretary [F&PO] to examine the cases of sick Co-operative sugar mills and to recommend revival packages for potentially viable units. The Government had announced that the Sugar Development Fund would be amended to provide financial assistance at concessional rates of interest to modernize sugar factories and retrieve potentially viable sick sugar mills. The Sugar Development Fund amended vide Gazette of
India notification No.33 dated May 28, 2002 had not incorporated this provision. However, NFCSF has taken up some rehabilitation projects for Co-operative sugar factories.

2.5.2 GROWER MEMBERS

Co-operative sugar factories are primarily owned by sugarcane growers who constitute the bulk of membership. The membership position i.e the details regarding various categories of members and their respective contribution to the share capital 301 Co-operative sugar factories which have reported the position as on March 31, 2001 vice versa. The position on March 31, 2000 is progressive membership position and progressive share capital position respectively during the year 1960.

2.5.3 ACHIEVEMENT OF MEMBER STATE FEDERATIONS OF CO-OPERATIVE SUGAR FACTORIES

The State Federation of Co-operative sugar factories which formed the second layer of the Co-operative structure in the sugar sector occupies a strategic place in the Co-operative movement. As Co-operative is a state subject, the State Federations have been playing a very important role as mediator with the State Government for their members activities. Not only have they acted as a balancing force between the sugar factories and the NFCSF but have also, wherever the Co-operatives have been permitted to function democratically guided and motivated the sugar factories not only to improve technically but also take up socio-economic development activities.
2.6 TAMILNADU CO-OPERATIVE SUGAR FEDRATION LIMITED

Tamilnadu Co-operative Sugar Federation Ltd started functioning W.E.F May 30, 1962. as an apex organization of all Co-operative sugar factories in Tamil nadu. The main objects of the Federation are to co-ordinate and facilitate the working of affiliated factories, assist in promotion and organizing new sugar factories, providing technical advice and other assistance to factories, advising and assisting in the selection of managerial, supervisory and technical personnel for the factories, finalizing rate contract less supply of heavy chemicals, ‘A’ twill ganny bags, burnt stonne lime lubricants, fertilizers, pesticides and other requirements of the factories, arranging for sale of sugar and its by products and holding periodical conferences, technical meets seminars etc., to improve working efficiency of factories.

2.7 SUGARCANE AND SUGAR POLICY

The sugar industry has been going through a steady relaxation of controls on production, distribution and pricing of sugar over the past two years. Despite the obvious long term benefits, the transition to a decontrolled environment has not been easy and has posed several challenges to the sugar factories. This has been mainly because of the mounting surplus stocks of sugar. As on May 31, 2002, the industry has a stock of 182 lakhs tonnes. The burden of carrying unmanageable and increasing surplus stocks of sugar since the past five years, which adversely affected the realizations has left the industry in grip of economic crisis but the policy announcements made by the government during the year hold
promise for a bright future. This however will be subject to a viable management of the present surplus stock of sugar available with the industry.

2.7.1 THE SUGAR SEASON 2000-01

The sugar years 2000-01 was an year of apprehensions for the sugar industry. High sugarcane prices, low sugar prices and huge sugar stocks piling up, practically eroded the viability of many sugar factories, commencing with an opening stock of 100-20 lakhs tonnes of sugar, the industry produced 185.11 lakhs tonnes of sugar during 2000-01 and left a carry overstock of 118.0 lakhs tonnes. The year also saw India once again emerge as world’s largest producer of sugarcane and sugar.

During the year, the Indian sugar industry also crossed a milestone by breaking its previous record of 10.30% sugar recovery from cane and achieving a record sugar recovery percentage of cane is 10.48%. The Co-operative sector of the sugar industry also added a few feathers to the cap by establishing a record of 10.91% sugar recovery from cane, breaking its earlier record of 10.67% achieved in 1999-2000. The Hatatma Kisan Ahir Sahakari Sakar Karkhana Ltd, Walwa, Distt Sangli Maharastra brok its won record and achieved the distinction of top recovery level in sugarcane crushing for the second consecutive year by achieving 13.18% recovery as against 13.10% recovery achieved during 1999.
2.7.1(a) THE SUGAR SEASON 2001-02

The Indian sugar industry, on a cruise towards decontrol and deregulation, commenced the sugar season 2001-02 with a record opening stock of 118.0 lakhs tonnes of sugar. The sugar production during the years is expected to be around 182 lakhs tonnes. The marginal fall in production is mainly due to unfavourable monsoon and diversification of sugarcane for fodder purposes in Maharashtra. However, this has not made such of a dent in the piling stock.

It has another bad year economically for the sugar industry because of the mounting stocks of sugar and consequent low realization. The sugar factories have been finding it difficult to sell their produce both in the internal and international market. Under these setbacks, the NFCSF has been continuously exploring methods to make the Co-operative sector of the sugar industry technically advanced and cost effective. It has also been sharpening its marketing skills to compete effectively.

2.7.2 SUGARCANE AND SUGAR POLICY

In order to liberalize the sugar industry the Government had delicensed the sugar industry Aug 31, 1998. Subsequently, many policy changes were brought about for a slow and steady move towards decontrol and deregulation of the sugar industry. During the financial year 2001-02 the following policy changes were announced.

a. Fixation of statutory minimum cane price [SMP] payable by sugar factories for 2001-02 at Rs.62.05 per quintal linked to a basic
recovery of 8.5% sugar subject to a premium of Rs0.73 for every 0.1% point increase in recovery about that level.
b. Change in ratio between levy and free sale from 15:85 to 10:90.
c. Announcements of complete decontrol of sugar industry by 2002-03 after a system for futures trading in sugar is operation allied.
d. Approval of commencement of futures trading in sugar and issuance of licenses to three companies to set up futures exchange for sugar.
e. Change over from monthly release of free sale quota to quarterly release.
f. Increase in retail consumer price of levy sugar from Rs.13.20 per kg to Rs.13.50 per kg March 1, 2002.
g. Rescinding the order imposing turnover limit period of today on recognized dealers of sugar so as to further liberalize the sugar trade.
h. Removal of quantitative restrictions on export of plantation white sugar and export of raw sugar permitted.
i. Sale of petrol blended with five percent ethanol allowed in two phases, In the first phase, Andra Pradesh, Goa, Gujarat, Haryana, Karnataka, Maharastra, Punjab, Tamilnadu, Uttarpradesh and Four Union Territories of Chandigarh, Daman & Diu, Dadra & Nagar Havels and Pondicherry are to be covered and in the second phase the rest of the country will be covered.

2.7.3 STATUTORY MINIMUM CANE PRICE [SMP] FOR 2001-02

The commission for Agricultural costs and prices [CACP] had invited representatives of NFCSF on August 28, 2000 for discussing the sugarcane
price policy for 2001-02. The Board of Directors of NFCSF had discussed the subject on August 20, 2000 and had recommended an SMP of Rs. 75.50 per quintal based on 8.5% recovery and for recoveries above 8.5% progressive premium @20% higher but as the widening gap between SMP and the state advised prices [SAP] was eroding the economic viability of sugar factories, the Board of Directors reviewed the subject at its meeting held on was justified earlier as levy price fixation was based on SMP and also because NABARD was linking SMP with cash credit limit to be sanctioned by banks but with the lowering of levy ratio higher SMP had no justification. Accordingly NFCSF recommended SMP of Rs. 65.25 per quintal for 2001-02 season based on 8.5% recovery. The CACP however recommended SMP of Rs. 62.05 per quintal based on 8.5 recovery.

2.7.4 STATUTORY MINIMUM CANE PRICE FOR 2002-03

The CACP invited representatives of NFCSF on Sep 27, 2001. For giving views on various issues pertaining to production, prices, cost production, level of minimum support prices and other related aspects of sugarcane and sugar economy for fixing the SMP for 2002-03. The Directors had already discussed the subject at length at a meeting of Board on August 26, 2001 and as per their opinion the NFCSF requested CACP not to consider any major increase in the SMP less 2002-03 from that of 2001-02. The NFCSF’S recommendation was based on the increase in whole sale price index of various purchase inputs of sugarcane cultivation and the low sugar prices prevailing in the free sale markets. The NFCSF also reiterated its earlier requests for advance announcement of SMP for the forthcoming
season, while announcing the factory-wise SMP for the current season as was being done till 1996-97. The NFCSF also wrote to all the chief ministers of major sugar producing states in Sep, 2001 to deviate from announcing high SAPS which were making many sugar factories deviate from announcing high SAPS which were making many sugar factories sick because of the widening gap between SMP and SAP.

During the year the CACP in collaboration with the Ministry of Consumer Affairs, foods and public distribution organized a seminar on pricing of sugarcane. The seminar held on March 13, 2002 in New Delhi reviewed the existing sugarcane pricing mechanism for determining sugarcane price based on relevant economic considerations. As zone-wise fixation of sugarcane price cannot take into account the importance of sugarcane development work undertaken by the sugar factories in their area of operation and Co-operation of farmers, the NFCSF recommended fixation of factory-wise sugarcane price based on percentage of average cost of purchase of sugarcane to realizations of five year's weighted average. The NFCSF also strongly recommended retaining the clause in sugarcane control order pertaining to fixing of sugarcane price based on recovery content till proper and viable system is evolved for calculating the sucrose content in sugarcane.
2.8 THE GROWTH OF INDIAN SUGAR INDUSTRY

The advent of the modern vacuum pan sugar industry in India dates back to early 1930’s. Within a period of four years after the grant of protection in 1932, India become self-sufficient in sugar, the number of sugar producing units going up from 33 to 137 and output from 1.62 lakhs tonnes to 9.47 lakhs tonnes. After the era of planning began with the first five year plan, as against 17.75 lakhs tonnes, India achieved the production of 18.9 lakhs tons of sugar. During the second five year plan, the record production of 30.29 lakhs tons against the installed capacity of about 25 lakhs tons was achieved.

In the third plan, the Industry achieved a production of 35.37 lakhs tons, exceeding the plan target of 35 lakhs tons. After 1965-66, which was the last year of fourth plan, there was a gap of three years. The first year of the fifth plan started only in 1969. During this period, there was a decline in production due to drought conditions and reduction in cane average, which led to the introduction of partial control in 1967, mainly designed to help the industry to pay higher cane prices. There was an increase in production to 37.6 lakhs tons the 4th five year plan, the initial target was fixed at 47.0 lakhs tons. but there were changes in the policy of decontrol and reintroduction of control and the establishment of new capacity, with the result that the expectations of the fourth plan did not fully materialize and production reached only 40.5 lakhs tons. The 5th plan estimated the requirement for domestic consumption at 55 lakhs tons and 57 lakhs tons
was fixed as target. To achieve this target, a large number of new factories were licensed even exceeding the target of 70 lakhs tons of capacity. During the period, Government continued its policy of partial control, which helped higher cane payments by the industry. In 1977-78, the industry achieved a record production of 65 lakhs tonnes with an installed capacity of 55 lakhs tonnes. The sugar industry in the country also come to occupy an important place among the foreign exchange earners for the country, as we entered into the world market as a big exporter of sugar.

Faced with an all-time record of sugar production as mentioned above Government experimented with de-control and abandoned the well-tested mechanism of monthly release of sugar. Prices crashed to highly uneconomic levels, causing serious losses to the industry and hardship to the cane growers Government re-instated the monthly release system and again reversed to the policy of partial control and dual pricing in Dec 1979, by which 65% were taken as levy release and 35% allowed for free market sale, which proportion continued till 84-85.

The sugar season 1981-82 was a year of peak physical achievement by the Indian sugar mill industry and an all time record of sugar output of 84.34 lakhs tonnes was realized in that year. However, there was sharp fall in production in 1983-84 i.e 59.16 lakhs tonnes. The Vermont of Indian liberalized the sugarcane and sugar policy in 1985 and announced increase in the quota of free sugar from 35% to 45% and again in 1986, this was raised to 50% for the sugar season 86-87. Similarly, the statutory minimum sugarcane price was also fixed in advance till 1987-88 season. This gave
the desired impetus both to the sugarcane growers and sugar industry, which resulted in the sugar production of 70.16 lakhs tonnes in 1985-86 and 85 lakhs tons in 86-87 season.

In 1986, there were 364 licenced sugar mills located throughout the length and breadth of the country 194 units in the Co-operative sector, 105 in the Joint stock sector and 65 in the public sector. The installed annual sugar production capacity was 85 lakhs tonnes, the value of which is about Rs. 3800 Crores. The industry caters to over 30 lakhs sugarcane growers, who receive about Rs.2200 Crores annually for the sugarcane they supply. The industry is an effective instrument for carrying progressive trends to the countryside, thereby acting as a local point for rural development. It contributes to the central and State Ex-chequer by way of tax to the tune of about Rs.500 Crores annually, besides generating sizeable employment in ancillary industries. The industry also generates its own fuel without using conventional source like coal, firewood etc.

In recent years, the burden of additional cost imposed on the industry is substantial on account of the emergence of a system under which, though the statutory cane price is kept deliberately low by the Government of India in the interest of the consumer [as levy price is being fixed on the basis of statutory cane price] higher cane prices are advised by the State Government in the interest of farmers getting an adequate cane price to the farmers. Thus, the industry has to pay much higher cane prices to the farmers than what is enjoined under Cl. 5-A of the sugar cane control order according to the Bhargava commission formula.
With the expansion of the Co-operative sector in all the states and high cane prices declared by the Co-operative factories, the joint stock sector factories have no choice except to follow the advice of the State Government. The Co-operative sector factories pass on their entire profit on their operations to the cane growers in the form of additional cane prices, even avoiding payment of tax to the exchequer.

A significant reason for the growth of Co-operative sectors is the concept that factories owned by the primary producer of cane should be preferred to those in the Joint Stock Sector, which has been reflected in the licensing policy, backed by financial assistance through state participation in the share capital and long term loans by the central financing corporations.

While the industry has achieved positive results viz., good capacity utilization, increased use of cane for factories, there are some disquieting trends in the working of the industry. The growth rate in the sugarcane yield has not shown any improvement, and occasionally, there has been short-fall in the compounded rate of recovery. Though exports picked up dramatically, in some years, very many difficulties are being encountered even in fulfilling the quota agreement.

Even when fixing levy sugar prices, all admissible cost escalations are not fully covered. Where local levies on purchase of cane are fixed on an ad valor basis, as in Tamilnadu, only the tax due on statutory cane price is included in the cost of levy sugar, but the demand for local sales tax is on the state - advised price. So, not only have factories to pay a higher cane
price, but also pay a higher purchase tax to the state, which looks upon it as an additional source of revenue.

The enormous disparities inherent in the sugar industry in duration used by agro-climatic conditions in the recovery on account of cane quality, fall in recovery, and also capital employed due to age, capacity and production are not taken note of the averaging of these items and determining a uniform levy price for all units in each zone, in spite off the above disparities have affected the below-average factories with the result that a large number of mills are becoming sick. The higher the cost of production, the greater the disparity between the low cost and high cost units.

2.9 SUGAR INDUSTRY

Sugar industry is an agro-based industry next only to textile industry. It plays a major role in the economic development of rural areas in the state. The sugar industry generates large scale direct employment, and also helps in giving indirect employment to the rural population in various ways. There are 36 sugar mills in this state, of which 16 are in Co-operative sector, 3 are in public sector and 17 are in private sector.

2.9.1 CRISIS IN SUGAR INDUSTRY

During the year 1998-99 the sugar industry went through severe crisis as a result of steep fall the year was about 155.40 lakhs M.T and carry over stock at the beginning of the sugar season of 53.70 lakhs M.T.S was quite adequate to meet the requirement of both the Public Distribution
System and the open market requirement in the country, import of sugar. As a result about 22 lakhs M.T of sugar landed in India which led to tremendous pressure on the price of open market sugar depressing it below the cost of production.

2.9.2 PERFORMANCE OF SUGAR MILLS IN TAMILNADU

During 1994-95 and 1995-96 seasons, the sugarcane was produced in abundance in the state and the sugar mills faced a glut situation and had to crush 160% and 124% of their capacity respectively affecting the recovery badly. During 1996-97 season, the sugar mills had just sufficient cane to achieve a total cane crush of 117.40 lakhs tonnes and in 1997-98; the mills crushed 145.92 lakhs tonnes which amounts to 76% and 87% of capacity utilization respectively.

2.9.3 SUGARCANE PRODUCTION IN TAMILNADU

The average area under cultivation of sugarcane in Tamilnadu is 2.75 lakhs hectares which is 2% of the total area under cultivation in the state. The average production of sugarcane is about 270 lakhs tonnes per year, of which 50-55% of the sugarcane is drawn and crushed by sugar mills in the state and the balance quantity of sugarcane is utilized for Jaggery manufacture, seed and chewing purposes.
TABLE - 2.1 SHOWING THE DETAILS OF TOTAL PRODUCTION OF SUGAR CANE BY THE DHARMAPURI CO-OPERATIVE SUGAR MILLS DURING THE PERIOD YEAR 1996-1997

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Sugar Season</th>
<th>Total cane production by sugar mills [Lakhs tonnes]</th>
<th>Total production by sugar mills [Lakhs tonnes]</th>
<th>Total cane crushed by sugar mills [Lakhs tonnes]</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1996-97</td>
<td>167525</td>
<td>120.99</td>
<td>117.40</td>
</tr>
<tr>
<td>2</td>
<td>1997-98</td>
<td>180273</td>
<td>141.78</td>
<td>145.92</td>
</tr>
<tr>
<td>3</td>
<td>1998-99</td>
<td>225314</td>
<td>193.24</td>
<td>195.68</td>
</tr>
<tr>
<td>4</td>
<td>1999-2000</td>
<td>205333</td>
<td>164.22</td>
<td>158.86</td>
</tr>
</tbody>
</table>

Data Source : Annual Reports

During 1998-99 crushing season, the sugar mills in Tamilnadu have crushed a total quantity of 195.68 lakhs tonnes of cane and produced 17.29 lakhs tonnes of sugar with an average recovery of 8.90%. For the current 1999-2000 crushing season, the sugar mills in the state have programmed to crush about 158.86 lakhs tonnes of cane and are likely to produce 14.12 lakhs tonnes of sugar, at an average recovery of 8.88%.

2.9.4 SUGARCANE PRICE

Statutory Minimum Price [SMP] for 1999-2000. The Government of India announced the statutory minimum price [SMP] every year on All India basis by issuing a Gazette notification in which price is fixed for each mill separately based on peak period recovery of previous sugar season. For 1999-2000 season. The Government of India had announced the SMP at Rs.561 per tonne of cane linked to 8.5% sugar recovery with a premium of 66 paise per quintal for every 0.1% increase in sugar recovery above 8.5% recovery.
2.9.5 SUGARCANE ROAD DEVELOPMENT SCHEME

With focus on rural development and to improve the transport facility for cane, the Co-operative and public sector sugar mills have been continuously supplementing the works of laying link roads connecting various villages to the factories. The funds for the Sugarcane Road Development Scheme are generated by levy cess by the State Government Rs.5 per tonne on the cane purchased by the sugar mills a separate sugarcane road development wing in functioning at Trichy headed by a superintending engineer [Highways] with four divisional engineers at Cuddalore, Trichy, Salem and Madurai for forming new roads and maintaining the existing roads in the area of operation of the sugar mills.

The details of cane cess collected and amount spent towards new road works and maintenance of already formed SRDS roads during the past six years are as follows.

**TABLE - 2.2 SHOWING THE CESS COLLECTED FOR ROAD WORK EXPENDITURE DURING THE YEAR 1994 - 2000**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cess collected [Rs. in lakhs]</th>
<th>Road work expenditure on Road works [Rs. in lakhs]</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994-95</td>
<td>838.82</td>
<td>730.00</td>
</tr>
<tr>
<td>1995-96</td>
<td>836.19</td>
<td>599.51</td>
</tr>
<tr>
<td>1996-97</td>
<td>630.90</td>
<td>861.89</td>
</tr>
<tr>
<td>1997-98</td>
<td>393.08</td>
<td>886.31</td>
</tr>
<tr>
<td>1998-99</td>
<td>552.22</td>
<td>583.39</td>
</tr>
<tr>
<td>1999-2000</td>
<td>635.24</td>
<td>539.44</td>
</tr>
</tbody>
</table>
In addition to this routine maintenance of sugarcane roads is also taken up by using these funds.

2.9.6 SUGAR DEVELOPMENT FUND [SDF] FROM GOVERNMENT OF INDIA

The Government of India had enacted the sugar cess Act 1984. Under which a sugar cess amount of Rs.14 pr quintal of sugar is levied on each sugar mills in the country. The above amount is collected as fund with the title 'Sugar Development Fund' [SDF] by the Government of India and is being utilized by the sugar mills as loan for the following purposes.

1. Modernization/rehabilitation of sugar mills
2. Development of sugarcane in the sugar mills area sanction of research grant for the research and development projects connected with sugar industry is also made from this fund.

From the introduction of the SDF in 1984, 30 sugar mills out of 36 sugar mills in Tamilnadu have availed loan from Government of India for cane development schemes. The total SDF loan amount sanctioned to the sugar mills in Tamilnadu is Rs. 1.87 Crores.

2.9.7 SCHEMES AND PROGRAMMES OF SUGAR INDUSTRY IN TAMILNAUDU PROJECTS IN CO-OPERATIVE SECTOR

The Government of India have issued a letter of intent for establishment of a sugar mill in Co-operative sector with a crushing capacity of 2500 TCDM Gummidipoondi area.
This factory is proposed to be set up in Puduvayal village, Gummidipoondi Taluk of Tiruvallur District. The mill purchased 80.20 acres of land and the Government have released Rs.7 Crores towards equity participation. The mill has also collected share capital of Rs. 1.48 Crores from the cane growers. Initially it was envisaged to commission a sugar plant with 2500 TCD capacity and cogeneration facility to export 4MW of surplus power at a cost of Rs.65 Crores. Subsequently the Government has advised to go in for a full fledged cogeneration plant along with the 2500 TCD. Sugar plant for this mill the project cost envisaged for this configuration of a 2500 TCD mill with 15 MW of surplus power generation came to Rs.97.43 Crores. Since the mill in the Co-operative sector cannot mobilize the additional resources required for meeting the project cost, the Government issued orders for implementing this project as a joint venture. The special general body of Gummidipoondi Co-operative Sugar Mills have also given their concurrence for execution of the project under joint venture. Action was taken by TASCO for the selection of joint venture partner through M/S TATA Economic Consultancy Services, Chennai.

2.9.8 GENERATION FOR POWER IN CO-OPERATIVE SUGAR MILLS THROUGH CO-OPERATION

In M.R. Krishnamurthy Co-operative sugar mills, Sethiathope, Cuddalore District and in Cheyyar Co-operative Sugar Mills, Tiruvannamalai District, Cogeneration plants with an installed capacity of 7.50 MW each and export of power to the tuned of 3.00 MW each have been setup. These two
co-generation plants use the bagasse produced efficiently and generate surplus power and sell it to the Tamilnadu Electricity Boards. The cogeneration plant in M.R.Krishnamurthy Co-operative Sugar Mills was commissioned on 5.6.92 and generated 12,41,31,275 units upto 31.3.2000. Apart from the above plants, the cogeneration plant with the capacity to export power to the Tamilnadu Electricity Board at 1 MW by utilizing the existing facilities in the sugar mills was implemented by the Subramania Siva co-operative sugar mills during 1997-98 season. For this purpose, this sugar mill has purchased a step up transformer and certain safety devices at an estimated cost of Rs.1.34 Crores. It has commissioned Co-generation plant on 19.6.98 and generated 266,88,896 units up to 31.3.2000.

2.9.9 NEW PROJECTS ON CO-GENERATION

The Government also announced their policy to generate 200 MW surplus power in Co-operative, public sector and private sector sugar mills could be commissioned by mobilizing the funds easily, the Co-operatives and public sector sugar mills could not mobilize any fund for implementing their projects as they are already facing acute financial problems in running the sugar mills. In view of this, The Governments have advised that the cogeneration plants in Co-operative and public sector sugar mills could be implemented as joint venture with a private promoters and financial services as an advisor for implementing the cogeneration scheme under joint venture. Accordingly, the feasibility of implementing the co-generation scheme in the following sugar mills is under examination.

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2.10 CO-OPERATIVE SECTOR

1. Vellore Co-operative Sugar Mills
2. Dharmapuri District Co-operative Sugar Mills
3. Chengalrayan Co-operative Sugar Mills
4. Madurantakam Co-operative Sugar Mills
5. Kallakurichi Co-operative Sugar Mills
6. NPKRR Co-operative Mills
7. Kallakurichi Co-operative Mills
8. Tiruttani Co-operative Mills
9. Subramania Siva Co-operative Mills

2.11 PUBLIC SECTOR

2.11.1 PERAMBALUR SUGAR MILLS

Perambalur Sugar Mills has installed capacity of 132 MW with exportable power of 82 MW in aggregate. The tentative cost of their projects is estimated at Rs. 514.36 Crores.

2.12 MOLASSES

In the tender conducted during March 1999, a rate of Rs.204 to Rs.702 per tonne was fixed for sale of molasses within the state and export to other countries states. The price come down to Rs261 to Rs.500 in the tender held on 25.5.99. Though the price has gone up slightly from Rs. 320 to Rs.843 in the tender held on 20.8.99, it crashed again to Rs.124 to Rs.375 in tender held on 6.10.99, which further come down the lowest level of Rs. 95 to Rs.520 in the tender held on 23.12.99 and in the tender held
on 24.2.2000 the rate per tonne was at Rs.150 to 525. As on 31.3.2000 a quantity of 1.60 lakhs tonnes of molasses is available in the steel tank and 0.56 lakhs tonnes of molasses is available in the masonry and open pits in all Co-operative public sector sugar mills.

2.13 DISTILLERY PLANTS & BIO-COMPOST UNIT

DISTILLERY PLANTS

Two distilleries in Co-operative sector have been established one in Salem and another at Amaravathi Co-operative sugar mills with a capacity 10KLPD and ENA and 55KLPD and rectified spirit. The Salem Co-operative Sugar Mills Distillery commenced its production on 27.12.98 and Amaravathi Co-operative sugar mills distillery commenced its production on 8.10.94.

2.13.1 BIO-COMPOST UNIT

2.13.2 MAIN BIO-CONTROL RESEARCH LABORATORY

The main Bio-control Research Laboratory is a unit of Tamilnadu Co-operative Sugar Federation and functioning at Chengalpattu. During the year 1998-1999 the laboratory has produced 64000 kgs of acetobactor and 40kgs of phosphobactericum along with 10,000 bottles of granuloss virus and 55,000 tirchogramma cards for the successful control of sugarcane pests. This laboratory has also produced 1000kgs of fresh compost, 250litres of normento and 6500kgs, of chrisopa. This laboratory is also programming to over more cane area under bio inputs during 1999-2000 season for control of the sugarcane pests. The products produced and supplied by the main bio control research laboratory are eco-friendly and cheaper inputs.

2.14 SOUTH INDIA SUGAR RESEARCH FOUNDATION - SOUTH INDIA

2.14.1 SUGAR RESEARCH FOUNDATION

South India Sugar Research Foundation was established in 1987 by the State Government. It is registered as a society under the Tamilnadu Registration Act 1975. The Co-operative and public sector sugar mills in this state and the Tamilnadu Co-operatives are the members of the foundation. The expenditure on establishment and maintenance of this institute is met from out of the funds received as contribution from member sugar mills. The objects of the foundation are as follows.
1. Conducting Research and other scientific works in connection with sugar industry.

2. Providing training courses for different categories of persons

3. Arranging for teaching and training including conducting refresher courses for the persons engaged in the sugar industry.

4. Holding examinations and conferring degrees and diplomas and other academic distinctions or honours.

The sugar research institute conducts sugar engineering certificate course sugar boiling certificate course and post graduate diploma course in sugar and refresher courses for workers on evaporation, pan boiling, boilers centrifugal and operation to the maintenance of electrical equipment.

The output of sugar increased steadily over the years however, the sugar industry has to face severe crisis due to sleep fall in realization of free sale sugar price.

Most of the sugar mills are incurring heavy losses the main causes for this problem were periodic upward revision in the procurement price of sugarcane without corresponding increase of sale prices and the expenditure remaining at the same level. The losses in the Co-operative sector are ultimately borne by the Government. The operating environment of the sugar mills, control on price and movement of sugar has led to losses even in the private sector sugar mills.
2.14.2 RUN-UP TO THE UNION BUDGET 2002-03

BACKGROUND

India is the largest consumer and the second largest producer of sugar in the world. At the beginning of each crushing season, the Government fixes the statutory minimum price [SMP] for sugarcane, which is the main input for sugar.

Since sugar is a controlled commodity under the essential commodities act, 1955 sugar control order 1966, all sugar producers have to surrender 15% of their production to the Government for distribution through the public distribution system [PDS].

The surrendered sugar is known as levy sugar, the price of which is fixed by the Government and is generally lower than the cost of production.

The Government has given approval to following three exchanges to conduct future/forward trading in sugar.

1. e-commodities Ltd, Mumbai.
2. NCS Infotech Ltd, Hydrabad.
3. e-sugar India, Mumbai.

<table>
<thead>
<tr>
<th>Products</th>
<th>Excise Duty</th>
<th>Customer Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levy sugar</td>
<td>Rs.52 per quintal</td>
<td>60%</td>
</tr>
<tr>
<td>Free sale sugar</td>
<td>Rs.85 per quintal</td>
<td>60%</td>
</tr>
<tr>
<td>Sugar confectionery</td>
<td>16%</td>
<td>35%</td>
</tr>
<tr>
<td>Molasses</td>
<td>Rs.500 per MT</td>
<td>15%</td>
</tr>
</tbody>
</table>
Currently excise duty on sugar boiled confectionery is levied at 16%. Since the price of this product is within a range of 25 paise of Rs.1, it becomes very difficult to pass on the levy to customers, resulting in the sugar industry absorbing the cost. CII has therefore recommended reducing the excise duty on sugar confectionery priced less than Rs.2 from 16% to 8%.

Excise duty on molasses should be levied ad-valorem @16% research and development and extension services for the sugarcane farmers should be given emphasis.