

GOVERNMENT OF INDIA  
MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION  
DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION

LOK SABHA  
UNSTARRED QUESTION NO. 4589  
TO BE ANSWERED ON 08 JANUARY, 2019

LOANS TO SUGAR INDUSTRY

4589. SHRI M.B. RAJESH:

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION उपभोक्ता मामले, खाद्य और सार्वजनिक वितरण मंत्री be pleased to state:

- (a) the total amount of interest free loans made available to sugar industry in the current financial year;
- (b) the interest free loans given to sugar industry in the last two financial years;
- (c) whether the Government has estimated the amount due to cane farmers, if so, the details thereof;
- (d) the steps taken by the Government to ensure that sugar mills clear their dues to cane farmers; and
- (e) whether the Government will initiate action against sugar mills for not clearing dues despite availing interest free loans, if so, the details thereof?

A N S W E R

MINISTER OF STATE FOR CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION  
(SHRI C. R. CHAUDHARY)

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(a) & (b): No interest free loan has been made available to sugar industry either in the current financial year or in the last two financial years.

(c): Payment of dues to the sugarcane farmers is a statutory obligation on sugar mills under the provisions of the Sugarcane (Control) Order, 1966. However, payment of cane price dues of farmers by sugar mills is a continuous process. Low realization from sale of sugar due to surplus sugar production leads to accumulation of cane price arrears during previous sugar season 2017-18, which peaked at Rs. 14538 crore on the basis of Fair and Remunerative Price (FRP) and Rs. 23232 crore on the basis of State Advised Price (SAP) in the last week of May, 2018. As a result of various measures taken by the Government, the cane price arrears for the sugar season 2017-18 have come down to Rs. 953 crore and Rs.3251 crore on FRP and SAP basis respectively as on 02.01.2019. Further an amount of RS.2075crore is pending against previous sugar season.

(d): Sugar production in the previous sugar season was about 322 LMT which is much higher than the consumption of 255 LMT. The excess sugar production in the previous season and estimation of similar production in the current sugar season 2018-19 has adversely affected market sentiments, due to which the ex-mill prices of sugar in the domestic market have fallen sharply and came down in the range of Rs. 24.50 to Rs. 26 per kg in the month of May, 2018. Low realization from sale of sugar due to surplus sugar stock has adversely affected the liquidity position of sugar mills. With a view to improve the liquidity position of sugar mills enabling them to clear cane price arrears of farmers, the Government has taken the following measures during last few months:

- (i) In order to prevent cash loss and to facilitate sugar mills to clear cane dues of farmers in time, the Government has fixed a minimum selling price of sugar at Rs.29/kg for sale at factory gate in domestic market, below which no sugar mill can sell sugar.
- (ii) Extending Assistance to sugar mills @Rs.5.50/quintal of cane crushed for sugar season 2017-18 to offset the cost of cane amounting to about RS.1540 crore;
- (iii) Created buffer stock of 30 LMT in sugar season 2017-18 for which Government will reimburse carrying cost of Rs.1175 crore towards maintenance of buffer stock;
- (iv) Extending soft loans of Rs. 6139 crore through banks to the mills for setting up new distilleries and installation of incineration boilers to augment ethanol production capacity for which Government will bear interest subvention of Rs. 1332 crore;
- (v) Extending Assistance to sugar mills @Rs.13.88/quintal of cane crushed for sugar season 2018-19 to offset the cost of cane amounting to about Rs.4163 crore;
- (vi) Extending Assistance to sugar mills for defraying expenditure towards internal transport, freight, handling and other charges to facilitate export of sugar from the country in sugar season 2018-19 amounting to about Rs. 1375 crore.
- (vii) Government has also notified new National Policy on Bio-Fuels, 2018 under which sugarcane juice has been allowed for production of ethanol. Further, the Government has fixed remunerative price of ethanol produced from C-Heavy molasses and B-Heavy molasses/sugarcane juice separately for supply under EBP during ethanol season 2018-19.

As stated in reply of part (a) no interest free loans have been given to sugar mills so the question of linking such loans with cane price arrears does not arise. However, the Sugarcane (Control) Order,1966 stipulates payment of cane price within 14 days of supply, failing which interest at the rate of 15% per annum on amount due for the delayed period beyond 14 days is payable. The powers for enforcing this provision are delegated and vested with the State Governments/UT Administrations who have necessary field formations for implementation of the said provision.