Cabinet approves formula to provide production subsidy to sugar mills

The Cabinet Committee on Economic Affairs, chaired by the Prime Minister Shri Narendra Modi has decided to extend production subsidy to sugar mills which achieve expected performance in respect of export of sugar and supply of ethanol. This has been done to offset cost of cane and facilitate timely payment of cane price dues of farmers.

Due to drought situation, there has been significant decline in sugarcane/sugar production in the country by about 1.8 million MT (mMT) and 0.8 mMT respectively. Drought affected States requested to reduce the target of sugar export and ethanol supply due to non-availability of sufficient sugarcane and molasses. Initially, the export quota target was scaled at 15.70 kg of sugar for each tonne of estimated cane crushing. Now, the export quota would be revised on a scale of 15.70 kg of sugar for each tonne of cane actually crushed by the mills during current sugar season or previously notified Minimum Indicative Export Quota (MIEQ) target, whichever is lower.

Similarly, mill/distillery-wise ethanol supply target will be revised to actual quantity contracted by them for supply to Oil Marketing Companies (OMCs). In case of mills/distillery not offering supplies ethanol so far, the existing allocation already notified, will remain unchanged. Performance of ethanol supply would be assessed on the basis of actual supply made against pro-rated supply schedule fixed by OMCs till June, 2016 with respect to contracted quantities.

As the production subsidy scheme was withdrawn before time, the sugar mills which have exported at least 50% of their export target (80% of MIEQ) and in case of mills having distillation capacity have supplied ethanol as per revised schedule shall be eligible for production subsidy. However, production subsidy on actual cane crushing would be provided to sugar mills proportionate to their achievement on export and ethanol supply targets with equal weightage.

Surplus production over domestic consumption during the last few years leading to subdued sugar price had stressed the liquidity position of the sugar industry resulting in accumulation of huge cane arrears of farmers in 2014 15 sugar season. Government had taken various measures like providing incentive on raw sugar export, extending financial assistance to the sugar mills through soft loan scheme, facilitating sugar mills for supply of ethanol under Ethanol Blending Programme (EBP), to improve the liquidity position of sugar mills enabling them to clear cane price arrears of farmers. Mill-wise Minimum Indicative Export Quota were fixed for evacuation of surplus stocks from the country and mill/distillery-wise ethanol supply target was also fixed to achieve national blending target of 10%.

Production subsidy @ Rs.4.50 per quintal of cane crushed during the sugar season 2015-16 was also provided to offset the cost of cane; contingent on mills performance in respect of export quota and ethanol blending targets. It was observed that sugar prices were ruling substantially higher than levels required for operational viability of the sugar industry and accordingly production subsidy scheme was withdrawn w.e.f. 19.5.2016. Further, to ensure sufficient availability of sugar to meet the domestic requirements, it was deemed necessary to conserve stocks in the country, and accordingly the MIEQ Order dated 18th September, 2015 was also withdrawn.

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