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Govt in no mood to compromise with sugar mills over farmers' dues: Paswan

The food minister said from doubling import duty to fixing a quota on the extent of sugar the mills can sell in open market, govt has tried it all

Sanjeeb Mukherjee | New Delhi
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Ram Vilas Paswan

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Food Minister Ram Vilas Paswan told cane-growing states that the Centre was in no mood to compromise with [sugar mills](#) over farmers' dues, which stood at over Rs 160 billion as on March 31.

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He instructed states to take necessary action against [sugar mills](#) that have defaulted on their payment to [farmers](#).

Since December last year, the Centre has announced a series of measures to stop [sugar prices](#) from dropping sharply under the weight of a bumper harvest. So far, the measures have not seen much success.

"We have given all sort of help to the [sugar mills](#) and are willing to do whatever is feasible but the mills, too, have to play their part and ensure that all dues accruing to [farmers](#) are cleared," Paswan told *Business Standard*.

Speaking days after the Centre wrote a strongly-worded letter to chief ministers of sugarcane-growing states, Paswan said the [government](#) was not much concerned about the plight of the mills,

as it had provided all help possible, including export incentives and assistance in ethanol blending when prices crashed a few years ago.

"We are not concerned with what they (mills) are saying because when [sugar prices](#) crashed a few years ago, the [government](#) provided all help possible that included export incentives and help in ethanol blending to tide over the crisis. But, we are concerned with farmers' dues and have told states to either seize the properties of defaulting mills or sell them but do whatever possible to ensure that farmers' dues are cleared," Paswan said.

He said there were three to four big sugar mills, largely located in western Uttar Pradesh, which are the biggest defaulters and the state [government](#) should take action against them.

From doubling import duty to fixing a quota on the extent of sugar the mills can sell in open market, the [government](#) has tried it all.

Few weeks ago, the [government](#) fixed a compulsory export quota of 2 million tonnes (mt) that the mills have to ship in the next few months to partly absorb the surplus.

Many sector players said this move would not make much difference unless it was supplemented by some incentives as global [sugar prices](#) have dropped sharply in the last few years because of a glut.

"The industry will need more incentives to export sugar amid depressed international sugar prices," CARE Ratings said in a recent note.

The [Indian Sugar Mills Association \(ISMA\)](#), too, in a recent statement said that though the [government](#) had announced the mandatory export quota but due to depressed world sugar market, sugar importers were offering price at the port of around \$350 per tonne (around Rs 2,272 per quintal) for exports.

During April 2017-March 2018, white [sugar prices](#) in London averaged at Rs 25.1 per kg (y-o-y fall of 28.9 per cent) and raw [sugar prices](#) in New York averaged at Rs 20.6 per kg (y-o-y decline of 28 per cent), while small grade [sugar prices](#) in Mumbai averaged at Rs 35.9 per kg (y-o-y fall of 3.3 per cent).

An option doing the rounds within policy circles is to bring back production subsidy introduced in the 2013-14 and 2014-15 sugar season when a similar glut was faced, but was subsequently removed after domestic prices firmed up. For 2013-14, the [government](#) had provided a subsidy of Rs 3.3 per kg on export of raw sugar and extended it to the next year. During 2014-15, the incentive was increased to Rs 4 per kg on export of raw sugar up to a maximum quantity of 1.4 mt.

Only those mills which had exported 80 per cent of their prescribed quota of sugar and produced 80 per cent of its allocated quantity of ethanol were eligible for the subsidy, paid directly to growers.

However, with the Centre not willing to give any more incentives soon — at least till the model code of conduct is in force in Karnataka for state polls — mills might have to enter export contracts at a discount.

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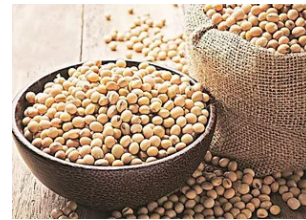
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