

CONSORTIUM OF INDIAN FARMERS ASSOCIATIONS (CIFA)

Secretary General

P. Chengal Reddy



President

Satnam Singh Behru

To,
Dr. Manmohan Singh
Hon'ble Prime Minister of India,
Government of India,
South Block,
New Delhi-110001

12th December, 2011

Respected Sir,

Sub: Appeal by farmers of India for liberalizing sugar sector by removing controls of levy, release mechanism, Essential Commodity Act and allow export of sugar-Reg.

Indian sugar sector provides livelihood to 50 million sugarcane farmers. Sugar popularly called **KALPATARU** has unlimited potential to improve agriculture economy by providing profitable prices to the farmers. The Sugar industry is capable of producing huge quantity of sugar for Indian as well as international market. It will produce ethanol which will save huge foreign exchange. It will also produce electricity power and other by products which are beneficial to farmers and industry.

Due to policy deficiencies the sugar sector undergoes Indian sugar cyclical problems wherein production comes down due to massive fluctuation by creating problems to growers, industry & exports.

This appeal is in consultation between growers and sugar industries both in cooperative and private sector.

A-PROCUREMENT IN OPEN MARKET

The obligation on sugar industry to supply levy sugar for the Public Distribution System at a discounted price, at 60% of the cost of production of sugar, should be removed and the Government should procure their requirement directly from the open market. This obligation on sugar mills reduces the returns to sugar industry by around Rs.2500-3000 crore every year. This obviously adversely impacts the cane price payments of farmers. Why should the cane farmers bear this financial burden, which should correctly be borne by the Government.

B-TO REMOVE RELEASE MECHANISM

The monthly regulated release mechanism, under which the Government decides how much sugar each sugar mill should sell each month, should be abolished. No other industry in India is subjected to such a control, which actually takes away the freedom from the millers to plan their cash flows and sugar inventory. In the past, we have experienced that due to lack of freedom with mills to arrange for their fund requirements on time, cane price of farmers fall into arrears, which have crossed Rs.8000 crore too at times.

"Food security first - Farmers welfare must"

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C-TO REMOVE CONTROLS ON EXPORT OF SUGAR

Unnecessary controls on export of sugar, even when there is surplus production and availability of sugar in the country, directly affects payments to farmers on time, especially in surplus sugar production years. The surplus sugar puts pressure on the financials of sugar mills, when funds get blocked affecting the mills' ability to pay to the farmers on time. With limits to the domestic consumption requirement, the only way to improve cash flows would be to export sugar on 'time' when the opportunity to do so is the best. Delayed permissions by the Government, usually inadequate quantities, have often come at times when the international market do not remain viable or less viable and when cane price of farmers fall into huge arrears. A more free export policy on sugar needs to be announced, if required at the beginning of sugar season.

D-ENCOURAGING ETHANOL PRODUCTION AND PRICING

Ethanol is produced from molasses, an important by-product of sugarcane. Better returns to mills for their molasses translates into a better cane price for farmers. Even though the mandatory 5% ethanol blending with petrol programme started in full swing from Oct 2010, the final price for ethanol is yet to be fixed by the Government. The sugar mills continue to supply ethanol at the provisional price of Rs.27 per litre for the last over 1 year, even though the other products from molasses fetch around Rs.34 per litre and export price of ethanol is Rs.38 or so per litre. Dr. Saumitra Chaudhuri Committee submitted its recommendation, for a final formula linking price of ethanol to petrol, way back in April 2011, the Government is yet to accept the same. Our request is that the recommendations of the Committee should be accepted without any delay.

E-We request you to allot funds for sugarcane research and extension.


APPEAL

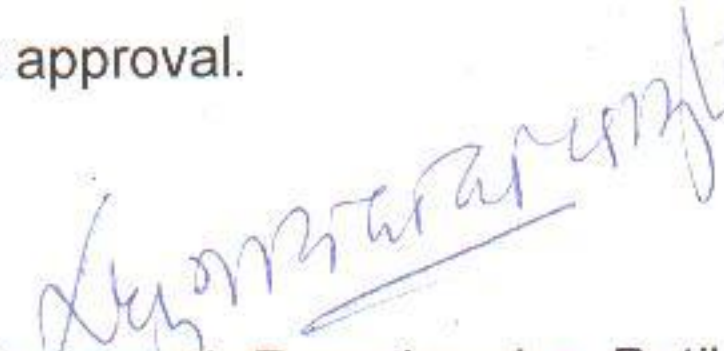
We wish to request the Government to immediately accept our above requests, which would go a long way to not only control the cyclicity in sugarcane and sugar production, but will ensure a stable and remunerative price for the 5 crore sugarcane farmers and their families of this country, who are mostly small and marginal, accounting for 50 lakh hectares of land. In terms of value, the cane farmers contribute around Rs.65000 to 70000 crore to the GDP from their cane crop alone.


We assure you that once reforms are allowed in the sugarcane and sugar sector, the country would become a natural exporter of sugar in the world and the problems of cyclicity would be easily overcome. It will be a win win situation for sugarcane growers, sugar industry and Indian agriculture economy.


Requesting for your immediate approval.


Your Sincerely

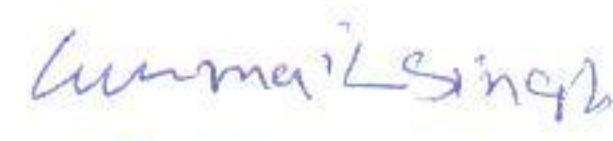

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