

**The Cooperative Sector – Implications of Decontrol**  
by

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# **GENESIS OF CONTROL ON SUGAR INDUSTRY**

- **Although an agricultural country, India after Independence was facing food scarcity.**
- **In the interest of the general public, to maintain increasing supply of essential commodities and for securing their equitable distribution at fair price, the Government of India on April 1, 1955 passed the Essential Commodities Act.**
- **The Essential Commodities Act, 1955 enables the Government to control the production, supply, distribution and trading of certain commodities including sugar and sugarcane.**

# CONTROLS ON SUGAR INDUSTRY

- \* Covered under the Essential Commodities Act, 1955 'sugar' and 'sugarcane' have always been subjected to various controls as per the provisions of the Act and Rules there under viz.:
  - i) Sugar (Control) Order, 1966
  - ii) Sugarcane (Control) Order, 1966
  - iii) Sugar (Packing and Marking) Order, 1970
  - iv) Levy Sugar Price Equalization Fund Act, 1976 (LSPEF Act)
  - v) Levy Sugar Supply (Control) Order, 1979.
  - vi) Sugar Cess Act, 1982.
  - v) Sugar Development Fund Act, 1982.
  - vi) Sugar Development Fund Rules, 1983
  
- \* These controls have outlived their utility and are no more relevant under the changed scenario.

# **ADVERSE IMPACT OF CONTROL ON SUGAR INDUSTRY**

- \* Sugar is, perhaps, the only industry which continues to be highly regulated in the scenario of decontrol, and liberalization.**
- \* This has restricted the growth of the sugar industry as the controls have marred the sustained growth of the industry and killed the competitiveness of the industry.**
- \* With the powers vested with the Government for deciding the quantity of sugar and the period during which it has to be sold, the Government has most of the time been able to keep the sugar prices below cost of production.**
- \* Further, the free sale sugar prices are further reduced because of the threat of converting unsold quantity to levy. The traders aware of this aspect take full advantage of it to bring down the price.**

- \* Moreover, the Government also imports sugar to control the open market sugar price.**
- \* Sugar factories are forced to give a percentage of their sugar production to the Government nominees at very low price for supplying to Below Poverty Line population under Public Distribution System. In other countries and in India also for other commodities the Government purchases the commodity at market price and the subsidy for providing the commodity is borne by the Government itself. This is not the case with regard to sugar.**
- \* Further, if the levy sugar quota is not lifted, as is generally the case whenever the free sale market sugar price goes below levy sugar price, the sugar factories are expected to keep the levy quota alive, by replacing it with new season's production till the lifting agencies make a demand for it, when the free sale market price of sugar goes up.**

- \* As export of sugar is also under release mechanism, the Indian sugar industry is not able to take advantage of demands of the global market.**
  
- \* The impact of all the above adversities are more on cooperative sugar factories as they are :**
  - i) organisations of small and marginal farmers with no alternative source of revenue unlike the private sector.**
  
  - ii) they are law abiding, hence comply with the rules even under adverse circumstance eg**

# **ADVANTAGES OF DECONTROLLING SUGAR INDUSTRY**

- \* If sugar industry is decontrolled it will be operating at par with other agro based industries and it will be their efficiency and paying capacity to the cane farmers that will govern the sustainability of the industry.**
- \* With the freedom granted to sell sugar and other products, as per demands, it will improve the efficiency of management and bring in more professionalism.**
- \* It will make the industry more competitive nationally and internationally as it will be functioning on the rules of market demand and supply.**
- \* The competitive market will force the industry to improve the quality of sugar and its co-products and encourage reduction in cost of production.**



- \* The Indian sugar industry like in Brazil will be able to switch over to the manufacture and supply of co-products of the industry depending on the demand.**
- \* With assured realization on sugar, the factories will be able to modernize, expand, diversify and create complexes of sugar industry.**
- \* Decontrol will remove the induced cycle of shortage and abundance of sugarcane and sugar created because of variations in sugar prices.**
- \* Last, but not the least, it will create an affinity and link of sugarcane farmers with the sugar factories. They will be functioning as a whole. This has been the important aspect of the success of sugar cooperatives but has been eroded in recent years because of intensive controls.**

***THANKS***

