

## Sugar

5.52 The sugar industry is one of the largest sectors of the Indian economy and India is now the largest producer and consumer of sugar in the world. Maharashtra contributes over one-third of country's sugar output (36 per cent) followed by Uttar Pradesh with 25 per cent. Tamil Nadu and Karnataka are the other two important sugar-producing states in the country.

5.53 There has been record production of sugar during sugar year 1999-2000 (October – September) estimated at 182 lakh tonnes.

5.54 Under the policy of partial price control, being followed continuously since December 1979, a specified percentage of total production of each sugar factory is procured as levy sugar at notified prices for distribution through the PDS. The levy to freesale ratio was reduced from 40:60 to 30:70 from January 2000 and again to 15:85 from 1st February 2001. In order to put the domestic producers at par with the importers, Government imposed a levy obligation also on importers of sugar from February 2000.

5.55 Since APL families would no longer be supplied sugar through PDS, Government's need for levy sugar for PDS distribution would hence forth be much less. Hence levy share has been reduced from 30 per cent to 15 per cent from February 1, 2001.

5.56 Sugar import is on Open General License (OGL) since March, 1994 and no import duty was charged until April 1998, when Government

imposed a 5 per cent customs duty and countervailing duty of Rs.850 per tonne. This was done to provide some protection to domestic producers. In January 1999, this duty was raised to 20 per cent along with the continuance of countervailing duty. In the Union Budget 1999-2000, the customs duty on imports of sugar was revised to 25 per cent along with surcharge of 10 per cent with effect from February 28, 1999. The import duty on sugar was raised to 40 per cent with effect from December 30, 1999. The 10 per cent surcharge imposed in the 1999-2000 budget was done away with so that the effective duty remained at 40 per cent only. The import duty was again raised to 60 per cent with effect from February 9, 2000. The substantial increase in import duty during 1999-2000 was on account of low global prices of internationally traded sugar which is reportedly subsidised by exporting countries.

5.57 The wholesale and retail prices of sugar have remained stable during 2000-01. The issue price of sugar under PDS was raised to Rs.13/kg in the Union Budget 2000-2001. No allocation of sugar would now be made to APL families except in North Eastern states, hill states and island territories.

5.58 Some uptrend in global prices of sugar has been observed this year, which has raised hopes of the domestic industry for possible exports during 2000-01. Government has allowed export of 10 lakh tonnes of sugar during 2000-01. Units located in coastal areas would have comparative advantage in exports because of saving in inland freight.