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PRESS RELEASE

Text of the D.O.letter dated 7.6.2018 of Thiru **Edappadi K.Palaniswami,** Hon'ble Chief Minister of Tamil Nadu addressed to **Shri Narendra Modi**, Hon'ble Prime Minister of India.

I write this letter seeking your kind intervention to provide relief to the Sugar Industry in Tamil Nadu, which will not get any benefit from the measures announced by the Government of India recently.

In this context, I also bring to your kind notice the plight of the Sugar Industry in Tamil Nadu which is going through an extended cycle of negative growth and low capacity utilisation due to drought.

It has been reported in the media that the Union Cabinet has approved certain measures to improve the liquidity of the sugar mills. Amongst the measures approved, creation of buffer stock is useful only to the mills that have not yet cleared the Fair and Remunerative Price (FRP) and also have excess sugar stock. These sugar mills are mostly confined to the States of Maharashtra and Uttar Pradesh. In case of Tamil Nadu, most of the private sugar mills have paid their FRP through borrowings and Cooperative and Public Sector sugar mills have cleared the arrears with high interest cost through ways and means advance from the State Government. The stock available for sale is only 2.17 Lakh Metric Tonne for all the mills of the State and FRP arrears are only Rs.226.25 crore. Hence, creation of buffer stock will not be beneficial to the struggling mills of our State.

The second measure approved is the fixation of minimum sugar price of Rs.29 per kg fixed for the domestic market. This may not ensure cost recovery for the sugar mills in our State due to poor recovery and low capacity utilisation precipitated by drought.

Further, for a State with low sugar production, the proposed stock limit on sugar will further aggravate the financial crisis of the mills and will affect the payments to farmers. The sugar mills have arrears of Rs.1510.46 crore towards payment of State Advised Price from the year 2013-14.

Thirdly, the proposed financial assistance to ethanol projects will not provide any immediate relief to the sugar mills in the State due to low availability of sugarcane.

As mentioned earlier, the Sugar Industry in the State is under severe financial strain which in turn affects the livelihood of lakhs of farmers in the State. Therefore, considering the precarious condition of the industry in the State, the following measures may be considered by the Government of India as a special case for providing relief to sugar industry in Tamil Nadu.

1) The annual requirement of sugar in Tamil Nadu is 15 Lakh Metric Tonnes and the production is only 5.8 Lakh Metric Tonnes. Therefore, exemption may be granted to the State from stock holding limits.

2) The MIEQ (Minimum Indicative Export Quota) allocated for the sugar mills in Tamil Nadu is almost 14.16% of the sugar production as against 5.82% for the surplus States. This quota has been allocated even for mills that have not crushed and for mills that do not have sufficient stock. Export of sugar at Rs.19 per kg is a loss making proposition for the sugar industry in the State. Therefore, Tamil Nadu may be exempted from this measure. The Ministry of Consumer Affairs, Food and Public Distribution is also being addressed in this regard.

3) As the sugar mills have been clearing the FRP dues by borrowing funds at high interest rates despite severe financial stress, as a special case interest subvention on loans availed by them for payment of FRP for the season 2017-18 may be considered.

4) The production subsidy of Rs 5.5 per quintal of sugarcane that was announced earlier should also be extended to the farmers and mills in the State without linking it to ethanol supply and MIEQ compliance.

As the sugar mills in the State are unable to fulfill the conditions being set for various incentives, Tamil Nadu may be exempted from the same during this season.

Therefore, I request the Prime Minister to favourably consider the above suggestions and direct the Ministry of Consumer Affairs, Food and Public Distribution accordingly.

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