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Title: The Minister of State of the Ministry of Statistics and Programme Implementation laid a statement regarding Status of implementation of the recommendations contained in the 13th Report of the Standing Committee on Chemicals and Fertilizers on Production, Pricing and Distribution of Molasses, pertaining to the Ministry of Chemicals and Fertilizers .

THE MINISTER OF STATE OF THE MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION AND MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI SRIKANT JENA): Madam, I make a statement regarding the status of implementation of the recommendations contained in the 13th Report of the Standing Committee on Chemicals and Fertilizers on 'Production, pricing and distribution of Molasses', pertaining to the Ministry of Chemicals and Fertilizers.

I want to lay the Statement on the floor of the House.

* I would like to lay the statement on the implementation of the Recommendations contained in the Thirteenth Report of the Standing Committee on Chemicals & Fertilizers (2010-11) on 'Production, Pricing and Distribution of Molasses in pursuance of the directions issued by the Hon'ble Speaker, Lok Sabha.

The Standing Committee on Chemicals & Fertilizers examined the Production, Pricing and Distribution of Molasses and presented their Report to Lok Sabha/Rajya Sabha on 8.12.2010. The Report contains 6 Recommendations. The gist of the Recommendations is as follows:

- i) Expressing concern on the fluctuating trend of sugarcane production which, in turn, has affected the production of the molasses, the Committee felt that there is an urgent need to ensure the satisfactory availability of sugarcane every year. As the sugarcane production falls within the domain of the Ministry of Agriculture, the Committee desired that the Department of Chemicals and Petrochemicals should coordinate with the Ministry of Agriculture to chalk out ways and means for sustained growth of sugarcane production. In this regard, the Committee recommended that the Department should impress upon the Ministry of Agriculture the need for taking suitable steps to encourage sugarcane cultivators.
- ii) There is need to encourage utilization of molasses for human consumption in India and coordinate with the Ministry of Food Processing Industries for taking suitable steps in the direction. The production of molasses would be augmented in such a way by the Department that besides meeting the industrial requirement, it would also cater to the needs of human consumption.
- iii) Ensure enough quantity of molasses and its availability at reasonable prices for end users. Department should explore the feasibility of introducing incentive schemes for molasses producers and take suitable steps in co-ordination with the Department of Food and Public Distribution and Department of Agriculture and Co-operation and constitute a Committee, if necessary, for the purpose of ensuring adequate quantity of sugarcane and molasses required for various purposes. Government should take suitable expeditious steps to revive sick sugar industrial units which would not only ensure optimum utilization of the sugarcane but also result in increase in production of sugar, molasses and ethanol which are required in abundance not only by public but also by industrial units.
- iv) The Department should chalk out proper monitoring mechanism for molasses at the earliest. The Committee further recommended that the Department should evaluate the effects of withdrawal of Molasses Control Order, 1961 on the price and distribution of molasses and revisit the feasibility of introducing some mechanism of control relevant today.
- v) Excise duty on Denatured Ethyl Alcohol has been reduced from 10% to 8% but there is no corresponding reduction in the specific duty on molasses. As the reduction of duty on molasses is bound to boost the chemical industry, Department should take up the matter at the appropriate level with the Ministry of Finance for early decision in this regard.
- vi) Department of Chemicals and Petrochemicals and Ministry of Petroleum and Natural Gas should co-ordinate and chalk out a strategy regarding allocation of Ethanol to different industries. Further, for ensuring sufficient availability of ethanol for different industries, Department would take early action on the suggestions for improvement in production of molasses made by them. Government should take necessary steps to permit industrial units to produce ethanol direct

from cane juice which would also boost the demand of sugarcane and in turn benefit the farmers.

The concerned Ministries/Departments have been apprised of the Standing Committee recommendations and the gist of the reply is as follows:

- i) The issue of sustained growth in sugarcane production was taken up with Department of Agriculture & Cooperation in the Ministry of Agriculture. Department of Agriculture & Cooperation informed that it is evident from the trial data that there is a plenty of scope for enhancing productivity of sugarcane crop. With the existing sugarcane area (ranging from 42 to 50 lakh ha), sufficient quantity of sugarcane can be produced by increasing the level of sugarcane yield through various technologies and interventions.
- ii) The Department had taken up the issue with the Ministry of Food Processing Industries requesting them to take suitable steps as per Committee recommendation and inform this Department of the action taken. Ministry of Food Processing Industries suggested that a joint action committee coordinated by Ministry of Chemicals & Fertilizers could be formed to address and discuss the issues raised in the Report pertaining to utilization of molasses for human consumption in India. The Department of Chemicals & Petrochemicals constituted the Joint Action Committee having the representatives from Ministry of Food Processing Industries, Department of Agriculture & Cooperation (Director, Directorate of Sugarcane Development, Lucknow), Department of Food & Public Distribution (Director, National Sugar Institute, Kanpur) and representatives of this Department. The meeting of the Joint Action Committee was held on 4.5.2011. The members of the Committee felt that due to cyclic nature and growing demand and also due to new use of Ethanol for Ethanol Blending in Petrol Programme, if some molasses get diverted to newer applications, there is possibility that industrial requirement of molasses for the production of Ethanol may not be fully met. Moreover, sufficient molasses are not available to meet the demand of distilleries, it is not considered necessary to find other avenues for utilization of molasses. In the year of bumper crop, excess sugarcane can be directly converted into alcohol which can also mitigate the shortage of alcohol. In India, sugarcane molasses, which is produced as a byproduct in the process of sugar production cannot be directly used for human consumption as it contains biomass/ biochemicals and can be used for human consumption only after processing the byproduct molasses. In this context, National Sugar Institute, Kanpur suggested to take up the matter with the Food Safety and Standards Authority of India (FSSAI), Ministry of Health & Family Welfare. Food Safety and Standards Authority of India (FSSAI) vide their letter dated 13.9.2011 informed that Food Safety and Standards Act, 2006 and its Rules/ Regulations do not permit the use of molasses as food for human consumption. FSSAI vide their letter dated 4.11.2011 have also informed that there is no standards of molasses under Food Safety and Standards Regulations, 2011. As per information received from Indian Council of Medical Research (ICMR) vide letter dated 8.12.2011, Molasses is a viscous byproduct of the processing of sugarcane, grapes or sugar beets into sugar. Molasses has bitter taste. The blackstrap molasses (obtained after third boiling of sugar) contains trace amounts of vitamins and some minerals like calcium, magnesium, potassium and iron. However, information on bioavailability is not available. Molasses could contain some levels of herbicides and insecticides used on sugar cane crops. However, no quality control screening lab tests are being performed on molasses. Since there is no PFA standards, one may not be able to assure its quality/ safety. Joint Action Committee is in considering all the above mentioned points and the draft report is yet to be finalized.
- iii) A meeting was held on 28.01.2011 with the representatives of Department of Food and Public Distribution and Department of Agriculture & Cooperation to discuss issues viz. enhancing sugarcane production, incentive scheme for producers of molasses and coordination mechanism among various agencies for ensuring adequate quantity of sugarcane and molasses required for various purposes. It was informed that the country has surplus capacity for production of sugar. However, the sugarcane production fluctuates due to its cyclic nature. Government has fixed fair and remunerative price (FRP) for sugarcane. Some State Governments are paying even higher price than the FRP. Ministry of Agriculture has also implemented Sugarcane Development Scheme under Macro Management Mode on Agriculture. The Government has also amended Sugarcane Control Order and permitted sugar factories to convert sugarcane juice directly into Ethanol. Department of Food and Public Distribution has informed that loans from Sugar Development Fund (SDF) are given for the purpose of cane development to the sugar factories. Department of Agriculture & Cooperation and Department of Food & Public Distribution are already having incentive schemes for production of sugarcane and sugar and since Molasses are not produced separately but produced as by-product by sugar mills during the production of sugar, separate incentive scheme for Molasses production is not considered necessary. Regarding coordination mechanism among various agencies for

ensuring adequate quantity of sugarcane and molasses required for various purposes, as the sugarcane production is cyclic in nature and so it is difficult to assure quantity of sugarcane production. The issue of food security is also significant and the priority should be for higher production of food grains rather than sugarcane. It was, therefore, suggested that under the aegis of the Standing Committee, Planning Commission may be requested to form a Committee of concerned Ministries/Departments for proper coordination mechanism. Regarding revival of sick sugar industrial units, Department of Food and Public Distribution has informed that as per the provisions of SDF Rules, a sick undertaking is required to get a revival package approved by the BIFR in the case of private and public sector sugar factories and by the Committee on Rehabilitation (COR) in the case of Co-operative sugar mills, with a component of SDF loan in the package. Loan is available from SDF both for cane development and rehabilitation/modernization.

iv) Regarding Control on Molasses and Review of decontrol policy, it is reiterated that the prices and distribution of molasses were regulated by the Central Government under the Molasses Control Order, 1961 up to 10th June, 1993. The allocations were made on the advice of Central Molasses Board but on a non-statutory basis. Central Govt, allocations were also not fully honoured by the State Governments. There were also reports of inordinate delays in obtaining allocations. Taking all these factors into account and with a view to falling in line with the liberalization policy of the Central Government in other sectors of economy, the Molasses Control Order, 1961 was rescinded on the 10th June, 1993. The matter was examined in detail in Department of Chemicals and Petrochemicals and it was decided that it may not be advisable to reopen the issue of reintroducing control regime by the Union Government and it may not be necessary to bring back such control in the present era of free market economy. The Department, however, took up the issue with the Excise Departments of ten major producing states and their comments in the matter were invited. Replies were received from the states of Andhra Pradesh, Gujarat, Haryana, Karnataka, Uttar Pradesh and Uttarakhand. The replies of the State Governments indicated that various state governments are already having some control on Molasses and it may not be possible to build consensus for bringing back central control over molasses and as mentioned above it may not be necessary to bring back such control in the present era of free market economy. Regarding the data on prices of molasses, the Department has taken up the matter with the major molasses producing State Governments and as per recently compiled information, the average price of molasses during 2009-10 was Rs. 415 per quintal.

v) Since the Excise Duty on Denatured Ethyl Alcohol has been restored at 10%, it was decided not take up the matter with Ministry of Finance.

vi) Ministry of Petroleum & Natural Gas constituted an Expert Committee on Pricing of Ethanol for EBP programme under the Chairmanship of Dr. Saumitra Chaudhuri, Member, Planning Commission. The report of the expert committee suggested a mechanism of allocation of Alcohol to different users. Regarding production of Ethanol directly from sugarcane juice, Central Government has already amended Sugarcane Control Order, 1966 in 2007 and permitted sugar factories to convert sugarcane juice directly into Ethanol.

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