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Curbs on sugar exports to be removed

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The government has decided to remove curbs on sugar exports from India, allowing producers to benefit from higher prices in overseas markets.

A notification to this effect will be issued in due course, commerce minister Anand Sharma said on Wednesday.

The government has also removed the minimum export price on onions for the next two months, said a government official present at a meeting chaired by Prime Minister Manmohan Singh. He declined to be named.

India is likely to produce 26 million tonnes (mt) of sugar, while consumption is expected to be 22 mt, according to industry lobby group Indian Sugar Mills Associations.

The government also decided to form a new panel headed by C. Rangarajan, chairman of the Prime Minister's economic advisory council, to consider a decision to allow supply of an additional 15 mt of foodgrains through the government's public distribution system.

The meeting was attended by agriculture minister Sharad Pawar, food minis-

ter K.V. Thomas, Sharma and government officials. Pawar has been demanding that sugar exports be allowed.

In a related development, the government allowed the export of casein, a protein compound extracted from milk. Pawar had been demanding this for a while.

"Export of casein and casein products has been moved from prohibited to restricted category. Export of casein is now permitted under licence," Directorate General of Foreign Trade (DGFT) said in a notification on Wednesday.

The government had banned exports of casein and milk powder in February last year, because of a shortfall in the country.

On Monday, the government had decided to allow exports of cotton. The decision to allow sugar exports could also have a bearing on the government's stance on freeing sugar prices.

On Thursday, a separate panel led by Rangarajan is likely to discuss this. In January, the Prime Minister had reconstituted a panel under Rangarajan to consider deregulating sugar prices.

A member of the panel, speaking on the condition of anonymity, said that while most members within the panel

are of the opinion that sugar prices should be freed from state control, the move may hit a roadblock as, currently, states have the power to regulate price of sugar under the so-called state-advised price (SAP) mechanism.

"The issue related to SAP is a federal one. If it is not sorted out, deregulation cannot go ahead," the panel member cited above said. Besides this, the fair and remunerative price, or FRP, is set by the Centre.

Rangarajan said on Wednesday that he would come out with the report by July.

Though pro-industry, total deregulation could make sugarcane farmers vulnerable to global and domestic commodity price cycles.

India is the biggest consumer and second-biggest producer of sugar and controls the industry through procurement prices set by both Centre and state governments, besides a monthly release mechanism for sugar traders that keeps prices stable.

Ten per cent of sugar is routed to the poor through the public distribution system at lower prices, the cost of which is borne by the industry.

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PTI contributed to this story.