THE REVISED SUGAR POLICY

(Contributed)

THE Government of India have announced a revised policy of control of sugar for the 1951-52 season. The basic quota of each factory has been fixed at 95 per cent of the. average production of each factory during the two years 1948-49 and 1949-50. Half of the production of each factory in excess of its basic quota will be allowed to be sold in the free market, and the other half, together with the basic quota, will be reserved for distribution at controlled prices.

Under this modified formula, the Government expect to secure at least 1 lakh tons, and the consumer will get a share of the extra production at controlled prices.

The basic quota of factories, which did not have a normal crush during the two years 1948-49, and 1949-50, due to any reason, or which did not function during any of these years, or the crushing capacity of which has been increased during the past three years, will be fixed on an *ad hoc* basis.

Whenever necessary, the Government will release up to 5 per cent of the monthly production of the factories with a view to maintaining continuity of supplies in the free market. The total quantity so released for free sale from a factory will be adjusted against the free sale quota to which it may be entitled at the end of the working season.

The minimum price of cane, the. system of fixing sugar prices on a regional basis, and the basic sugar price will remain unchanged. The slightly higher prices fixed for various, regions will continue as during 1950-51 subject to minor adjustments to be announced shortly. The ceiling prices fixed for gur and khandsari and the local adjustments in the. price *of* gur will continue as during 1950-51.

The restrictions on inter-state movement, of sugar to border States will also continue as at present.

While the revised sugar policy for the corning season is a distinct improvement in one or two important respects, particularly in the direction of ensuring continuous flow of supply to the free market, it still betrays such lack of vision and boldness that, on the whole, the Food and Agriculture Ministry must be said to have missed the opportunity provided by the annual revision to benefit from the experience gained during the last season. Here was an opportunity to evolve a sound, broad-based policy which could be profitably extended to other industries. Indeed, disappointment is all the greater in view of the wide acclamation accorded to last year's experiment.

The fault, lies principally in the basic approach which apparently continues to be governed by administration expediency rather than the ultimate objective of the policy of partial decontrol. Indeed, the proviso that half the excess over the revised basic quota of 95 per cent should revert to the Government will reduce the quantity available to the free market below what it was in 1950-51. The. Food Ministry have apparently no desire, therefore, to create conditions conducive to the gradual decontrol of sugar, as envisaged by the dual price policy adopted last war. The hope that the narrowing down of price in the tret' market would pave the way for total abolition of control has to be abandoned.

Moreover, the lowering of the basic quota and the abandonment of the target at 107 per cent may adversely affect production prospects for the coming season, instead of giving further impetus to increased production. There will be a scramble for sugarcane by bidding higher prices on the part of the less efficient units, who were hitherto effectively kept out on account of the 107 per cent target.

There is also likely to be a much greater tendency to abuse the low-targets fixed by way of secret cartel arrangements by groups of factories, who might enter into agreement to pool the profit, from the sale of excess sugar in the free market, in order to prevent factories in the same area from competitive bidding in the scramble for sugarcane. If such malpractices go unchecked, they will defeat not only the ultimate objective of dual price policy but even jeopardise the limited success already achieved by way of increased production during the 1950-51 season.

The absence of any provision for the prompt sale of excess sugar, earmarked for the free sector, within a period of two months, from the date of issue of permit for release of quota is another serious omission. It will encourage speculators and profiteers both amongst the manufacturers and the trade to continue their price boosting tactics.

It is, therefore, hoped that the Food and Agriculture Ministry will devise effective measures on the lines recommended above, while there is still time, to prevent abuses from arising, and would modify the system of allocation of quotas for the free market so as to sanction release of the full amount of excess over 95 per cent basic quota, at least in the case of factories which attain the target of 107 per cent production, on the basis of sugar production in 1948-49 and 1949-50 as fixed for the previous year. This is necessary both to avoid slump in production in these factories and to do adequate justice to such of the mills as have carried out extensive renovation and extension with a view to maximise production.

Moreover the Ministry should be on the alert, regarding the. need for release of additional quantities, upto 50 per cent of the monthly production, whenever there is either a sudden shortage or prices in the free market move up sharply as a result of speculative, manipulation, in this connection, it has to be observed that while the principle, of *ad hoc* releases sounds admirable on paper, its application should not merely remain a pious hope. Therefore, apart from the special occasions mentioned above, it is submitted that *advance* releases of *ad hoc* quotas should be permitted during the months of Nov-Dec-jan.-Feb., in order to ensure a continuous flow of sugar to the free market. Otherwise, as in the cases of most of the factories, it would not be possible to attain the basic production before March 1952, the issue of quotas for the free market will be delayed right upto the month of April. Unless advance releases are arranged, there will be a serious lag, which will he exploited by vested interests, who are out to exploit the existing fluid market conditions for their own benefit.

Pakistan-World Bank Loan Agreement

Pakistan is shortly signing ;t formal agreement with the World Bank for a loan of 65 million dollars for development projects. Of this, '30 million dollars are to be spent on the development of communications in Pakistan.