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NITI panel recommends scrapping of buffer stock subsidy scheme for sugar

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A TASK FORCE under the NITI Aayog has recommended scrapping of the buffer stock subsidy scheme for sugar on grounds that it incentivises mills to over-produce, and so is an additional expense for the government.

The Maharashtra State Cooperative Sugar Factories Federation and the National Federation of Cooperative Sugar Factories, however, have sought an extension of the scheme that expired on Sunday.

The task force in a report submitted to the Prime Minister's Office has said maintenance charges given to mills act as an additional expense on the government exchequer, as the stocks are usually resold in the market the following year. The task force is of the view that there is no justification for continuation of the scheme in its current form.

For 2019-20 (August-July), the Union Cabinet had approved the creation of a 40-lakh-tonne sugar buffer stock.

The government had approved creation of the buffer stock to improve the liquidity problem of sugar mills and help reduce uncertainties of demand and supply. The reimbursement under the scheme is directly credited to farmers' accounts on behalf of mills against their cane price dues.

"The NITI Aayog task force has submitted its report in April, recommending 10-12 recommendations. One of them is to do away with the buffer stock scheme. But, there is no discussion on any of these recommendations as yet," Prakash Naiknavare, MD, National Federation of Cooperative Sugar Factories, said.

"The current buffer scheme concluded on July 31 while the new buffer scheme for 40 lakh tonne is expected to start from September 1. Thus, one-month gap of August will create a temporary short margin in mill accounts in banks," he explained.

Jayprakash Dandegaonkar, chairman, Maharashtra State Cooperative Federation, said both the state and national federations of cooperative sugar mills have demanded an extension of the buffer stock scheme so that millers can continue to get relief from the government.

Sanjay Khatal, MD, Maharashtra State Cooperative Sugar Factories Federation, in a letter written to the Union Ministry of Food and Public Distribution, said, "Banks have started recovery of money they lent to the mills against the sugar inventory. The pressure from banks will force mills to sell the sugar from the stock at lower prices, thereby, once again creating liquidity issues..."