



## CHAPTER- 3

### IMPACT OF DE-REGULATION ON SUGAR CONSUMERS

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#### 3.1 Sugar Policy

3.1.1 Sugar is an essential commodity under the EC Act, 1955.

3.1.2 The Essential Commodities Act, 1955, as amended from time to time, (hereinafter referred to as the EC Act) has been enacted to provide for, in the interest of general public for the control of the production, supply and distribution of, and trade and commerce in essential commodities.

3.1.3 Section 3 of the EC Act, 1955 confers powers on the Government to control production, supply, distribution, etc., of essential commodities. Section 3 (1) provides that "if the Central Government is of opinion that it is necessary or expedient so to do for maintaining or increasing supplies of any essential commodity or for securing their equitable distribution and availability at fair prices, or for securing any essential commodity for the Defence of India or the efficient conduct of military operations, it may, by order, provide for regulating or prohibiting the production, supply and distribution thereof and trade and commerce therein."

3.1.4 Till May, 2013 when the de-regulation decisions, impact of which is the subject matter of this study, were taken, the Central Government has been following the policy of partial control on sugar since 1967-68 except for two short spells from 25<sup>th</sup> May, 1971 to 30<sup>th</sup> June, 1972 and from 16<sup>th</sup> August, 1978 to 16<sup>th</sup> December, 1979. Under this policy of partial control, a portion of sugar production (which on last count was 10% of the sugar production) was



requisitioned from the producers of sugar in exercise of the powers conferred by Section 3(2)(f) of the EC Act. This used to be called levy sugar and was meant for distribution through ration/fair price shops in the Public Distribution System (PDS) at a uniform retail issue price throughout the country.

**3.1.5** The levy sugar was procured by Central Government at prices arrived under provisions of Section 3(3C) of the Essential Commodities Act, 1955 and was in general lower than the open market price of sugar, at least in the last decade of the operation of this system. A statement showing the all India ex-factory levy sugar prices for the sugar seasons 2000-2001 to 2012-13 and the open market prices (at wholesale level) is tabulated at Table-3.1 to illustrate the point.

**Table-3.1**

**All India average Ex-factory Levy Sugar Prices vs. Open Market Prices of Sugar  
(Rs. per quintal)**

| <b>Sugar Season</b> | <b>All India Levy Sugar Price</b> | <b>All India Average Wholesale Price of Sugar</b> |
|---------------------|-----------------------------------|---|
| 2000-01             | 1165.79                           | 2335.12   |
| 2001-02             | 1191.72                           | 2454.91   |
| 2002-03             | 1259.99                           | 2312.37   |
| 2003-04             | 1305.92                           | 2515.29   |
| 2004-05             | 1305.92*                          | 2784.54   |
| 2005-06             | 1305.92*                          | 2905.20   |
| 2006-07             | 1305.92*                          | 2454.91   |
| 2007-08             | 1305.92*                          | 2312.37   |
| 2008-09             | 1305.92*                          | 2705.59   |
| 2009-10             | 1757.50*                          | 2988.46   |
| 2010-11             | 1847.05*                          | 3017.59   |
| 2011-12             | 1904.82*                          | 3389.12   |
| 2012-13             | 1904.82*                          | 3398.23   |

\*Provisional

**Source: Department of Food and Public Distribution, GOI**



**3.1.6** The portion remaining after imposition of levy on sugar was allowed to be sold as non-levy sugar, which was also called free-sale sugar in common parlance, by way of judicious and balanced periodic releases through the Regulated Release Mechanism policy of the Government, being applicable uniformly to all the sugar mills throughout the country. In effect, the sale of entire production of sugar which was manufactured during five to six months in the sugar season (the sugar season begins on 1<sup>st</sup> October and ends on 30<sup>th</sup> September) was controlled and regulated, to be sold and distributed in a staggered manner. As such, the Central Government has been regulating and controlling production, supply, distribution and prices of sugar with a view to ensure that: -

- The consumer gets adequate sugar throughout the year at a fair price;
- The crores of cane growers who provide sugarcane, which is the basic raw material for the sugar industry, receive a fair price;
- The sugar producer gets a reasonably fair return from the sale of sugar.

**3.1.7** The percentage of levy obligation was as 60% of the production during 1967-68 sugar season and was gradually reduced to 10% of the production. A table showing the %age levy obligation from 1967-68 sugar season to 2012-13 sugar season is as given in Table-3.2.



**Table-3.2**

**Reduction in Levy Obligation on Sugar Factories**

(%)

| S. No | Season<br>(October-September)                    | Levy                  | Free-sale |
|-------|--|-----------------------|-----------|
| 1     | 1967-68  | 60                    | 40        |
| 2     | 1968-69 to 1969-70                               | 70                    | 30        |
| 3     | 1970-71  | 60                    | 40        |
| 4     | <b>Decontrol of sugar – 25.05.71 to 30.06.72</b> |                       |           |
| 5     | <b>Partial control – 1.7.72 to 15.08.72</b>      |                       |           |
| 6     | 1971-72  | 60 + (3.5 for export) | 36.5      |
| 7     | 1972-73 to 1977-78                               | 70                    | 30        |
| 8     | <b>Decontrol – 16.08.78 to 16.12.79</b>          |                       |           |
| 9     | <b>Resumption of control – 17.12.79</b>          |                       |           |
| 10    | 1979-80 to 1984-85                               | 65                    | 35        |
| 11    | 1985-86  | 55                    | 45        |
| 12    | 1986-87 to 1987-88                               | 50                    | 50        |
| 13    | 1988-89 to 1991-92                               | 45                    | 55        |
| 14    | 1992-93 to 31.12.1999                            | 40                    | 60        |
| 15    | 1.1.2000 to 31.01.2001                           | 30                    | 70        |
| 16    | 1.02.2001 to 28.02.2002                          | 15                    | 85        |
| 17    | 1.03.2002 to 30.09.2009                          | - 10                  | 90        |
| 18    | 2009-10  | 20                    | 80        |
| 19    | 2010-11  | 10                    | 90        |
| 20    | 2011-12  | 10                    | 90        |
| 21    | 2012-13  | 10                    | 90        |

**Source: Department of Food and Public Distribution, GOI**

**3.1.8** The procurement of concessional sugar under levy system virtually translated into cross subsidization of supply of sugar for country's Public Distribution System by the consumer end, open market prices of sugar. The cross subsidization or cost enhancement of the retail end consumer prices was variously estimated to be in the range of Rs.1 to Rs.2 per KG. The Government mandated sugar releases for open market also meant limited options before sugar mills to plan their inventory disposals i.e. cash-flow operations. Due to such a controlled regime, whatever happened in the sector was ascribed to the Government policies and the government was expected to intervene in every



situation. During the controlled regime, the sugar sector witnessed every possible / conceivable situation – massive price rise, massive dip in prices, huge build-up of Cane Price Arrears, domestic gluts, domestic shortages, part of industry going sick, another part of industry expanding and diversifying, etc.

**3.1.9** The deregulation decisions of the Central Government in April, 2013 by virtue of which the systems of levy imposition as well as administered sugar release were dispensed away were expected to provide fair play to the market forces and attain equilibrium and it was expected that over long term, all stake holders – consumers, producers and farmers would be benefitted.

**3.1.10** At the same time, as a background it must also be mentioned that the PDS supply of sugar (27 lac MT per annum) remains intact through a modified system, wherein sugar is procured by State Governments from open market and is sold to PDS beneficiaries at Rs.13.50 per KG, with the Central Government funding the differential through a subsidy of Rs.18.50 per KG and bearing in process an annual subsidy burden of around Rs.4000 crores which was earlier being borne by the sugar mills.

**3.1.11** It is also worth recording that the export import policy of sugar since 2013 has also been made quite liberal with only control being a certain amount of import duty.

## **3.2 Behaviour of Sugar Prices during the Study Period**

**3.2.1** As indicated in the introductory Chapter, the individual household consumption of sugar in India is around 35-40% and the rest goes into production / processing streams of bulk consumers (Beverages/ Bakeries/ Sweets, etc). The annual domestic consumption of sugar for 2012-13 was estimated to be around 230 lac MT while the estimation for 2013-14 was around



243 lac MT. This translates into individual household consumption range of 80-85 lac MT of sugar (at 35% basis), out of which the PDS off-take at concessional prices is around 20 Lac MT per annum. For the individual households the price which matters is the Retail end price of sugar in the open market while it can be safely assumed that the bulk consumers would be sourcing their major supplies of sugar at Wholesale Prices.

**3.2.2** In order to assess the impact of de-regulation decisions, an attempt has been made in the study to scrutinize/analyse the trends of sugar prices at Retail and Wholesale levels during the 2012-13 (pre-regulation period) and 2013-14 (post de-regulation period). Since the Ex-mill prices were considered non-contextual as far as the intent of present Chapter is concerned, these were not analysed. The data has been analysed on 4 counts – (i) the absolute figures attainable at monthly intervals (ii) the % variation at monthly intervals in order to understand the price swings (iii) the extent of spread between retail and wholesale prices and (iv) the purchase behaviour of bulk consumers. The 1<sup>st</sup> set of data analysis provides the indication regarding the price points at which the sugar was available while the 2<sup>nd</sup> set of data analysis provides the indication of the volatility level in the prices in the two comparison periods. The 3<sup>rd</sup> set of data analysis provides scope for analysing stock hoarding tendencies, if any in a decontrolled environment. An attempt is also made to see the buying behaviour of the bulk consumers like beverage companies, trading companies in the pre and post deregulation phase.

**3.2.3** The data source for the study primarily is Price Monitoring Cell (PMC) in the Department of Consumer Affairs, GOI which has been running a Price Monitoring System (PMS) for most of the essential commodities. The feeder agencies for the data inputs for the PMS are the State Food and Civil Supply agencies. As per PMC website the price data is collected through 67 countrywide



centres (Appendix-VII). The bulk purchaser behavioural data is sourced from concerned companies / sugar mills.

**3.2.4** The retail level prices obtainable in 4 major metros as well as All India level during 2012-13 and 2013-14 are tabulated at Table-3.3.

**Table-3.3**  
**Retail Prices during the Study Period**

| Average of Retail Prices in 4 Metros and All India |              |              |              |              |           | Remarks                   |
|--|--------------|--------------|--------------|--------------|-----------|---------------------------|
| Period   | Delhi        | Mumbai       | Kolkata      | Chennai      | All India |                           |
| October, 2012                                      | 41.00        | 39.35        | 40.69        | 37.90        | 39.75     | Pre De-Regulation Period  |
| November, 2012                                     | 39.68        | 40.00        | 40.00        | 37.90        | 39.71     |                           |
| December, 2012                                     | 39.75        | 39.05        | 39.30        | 36.80        | 39.07     |                           |
| January, 2013                                      | 37.81        | 38.00        | 38.70        | 35.29        | 38.18     |                           |
| February, 2013                                     | 38.00        | 38.11        | 37.95        | 34.95        | 37.52     |                           |
| March, 2013  | 37.11        | 38.74        | 37.32        | 33.37        | 37.10     |                           |
| April, 2013  | 37.00        | 38.00        | 36.63        | 32.74        | 36.64     |                           |
| May, 2013  | 37.00        | 38.64        | 36.00        | 34.00        | 36.49     |                           |
| June, 2013   | 37.00        | 40.00        | 36.00        | 34.00        | 36.39     |                           |
| July, 2013   | 36.43        | 40.00        | 35.35        | 34.05        | 36.22     |                           |
| August, 2013                                       | 36.00        | 40.00        | 35.33        | 34.00        | 36.11     |                           |
| September, 2013                                    | 35.24        | 37.39        | 35.60        | 34.00        | 36.06     |                           |
| <b>Entire 2012-13 Season</b>                       | <b>37.65</b> | <b>38.95</b> | <b>37.36</b> | <b>34.92</b> |           |                           |
| October, 2013                                      | 35.68        | 35.86        | 35.00        | 33.75        | 35.70     | Post De-Regulation Period |
| November, 2013                                     | 36.00        | 36.00        | 34.89        | 33.00        | 35.42     |                           |
| December, 2013                                     | 36.00        | 35.26        | 34.85        | 32.80        | 34.91     |                           |
| January, 2014                                      | 36.00        | 34.00        | 34.11        | 32.00        | 34.76     |                           |
| February, 2014                                     | 35.95        | 34.00        | 34.00        | 31.55        | 34.28     |                           |
| March, 2014  | 35.15        | 34.19        | 35.20        | 31.47        | 34.62     |                           |
| April, 2014  | 36.17        | 36.93        | 36.18        | 34.25        | 35.79     |                           |
| May, 2014  | 37.14        | 38.00        | 36.00        | 34.94        | 36.20     |                           |
| June, 2014   | 38.05        | 38.00        | 36.00        | 34.00        | 36.12     |                           |
| July, 2014   | 37.14        | 39.14        | 35.73        | 34.00        | 36.47     |                           |
| August, 2014                                       | 37.16        | 39.28        | 35.00        | 34.00        | 36.37     |                           |
| September, 2014                                    | 35.95        | 39.33        | 35.00        | 34.00        | 36.14     |                           |
| <b>Entire 2013-14 Season</b>                       | <b>36.38</b> | <b>36.76</b> | <b>35.16</b> | <b>33.33</b> |           |                           |

**Source: Price Monitoring Information System, Department of Consumer Affairs, GOI**



3.2.5 The wholesale level prices obtainable in 4 major metros as well as All India level during 2012-13 and 2013-14 are tabulated at Table-3.4.

**Table-3.4**  
**Wholesale Prices during the Study Period**

(Rs. per Qtl.)

| Average of Wholesale Prices in 4 Metros and All India |                |                |                |                |           | Remarks                   |
|---|----------------|----------------|----------------|----------------|-----------|---------------------------|
| Period  | Delhi          | Mumbai         | Kolkata        | Chennai        | All India |                           |
| October, 2012   | 3895.79        | 3627.45        | 3831.88        | 3590           | 3754.83   | Pre De-Regulation Period  |
| November, 2012  | 3725           | 3592.61        | 3725.26        | 3590           | 3732.2    |                           |
| December, 2012  | 3736.25        | 3475.2         | 3618           | 3480           | 3669      |                           |
| January, 2013   | 3540.48        | 3366.38        | 3520.5         | 3329.41        | 3572.63   |                           |
| February, 2013  | 3571.25        | 3323.11        | 3406.67        | 3295           | 3521.62   |                           |
| March, 2013   | 3453.95        | 3293.16        | 3422.11        | 3178.95        | 3471.99   |                           |
| April, 2013   | 3398.75        | 3198.11        | 3396           | 3126.32        | 3426.16   |                           |
| May, 2013   | 3396.52        | 3227.41        | 3399.52        | 3167.73        | 3414.13   |                           |
| June, 2013  | 3410.25        | 3202.45        | 3400           | 3193           | 3401.49   |                           |
| July, 2013  | 3341.74        | 3183.74        | 3393.91        | 3200           | 3386.01   |                           |
| August, 2013  | 3315           | 3192.61        | 3384.71        | 3200           | 3378.95   |                           |
| September, 2013                                       | 3333.33        | 3164.67        | 3375.33        | 3200           | 3370.41   |                           |
| <b>Entire 2012-13 Season</b>                          | <b>3507.52</b> | <b>3318.97</b> | <b>3489.82</b> | <b>3295.57</b> |           |                           |
| October, 2013   | 3381.05        | 3108.00        | 3342.50        | 3160.00        | 3329.15   | Post De-Regulation Period |
| November, 2013  | 3360.50        | 3053.83        | 3362.11        | 3063.16        | 3288.63   |                           |
| December, 2013  | 3318.00        | 3035.79        | 3315.50        | 2994.00        | 3244.95   |                           |
| January, 2014   | 3287.11        | 2941.53        | 3107.37        | 2898.82        | 3214.44   |                           |
| February, 2014  | 3243.00        | 2825.65        | 3033.16        | 2844.00        | 3162.10   |                           |
| March, 2014   | 3209.50        | 2886.61        | 3206.50        | 2888.89        | 3204.90   |                           |
| April, 2014   | 3254.44        | 3254.86        | 3408.24        | 3260.00        | 3338.48   |                           |
| May, 2014   | 3413.33        | 3307.68        | 3432.22        | 3296.88        | 3365.29   |                           |
| June, 2014  | 3616.67        | 3170.80        | 3394.29        | 3200.00        | 3350.51   |                           |
| July, 2014  | 3609.09        | 3257.00        | 3393.64        | 3272.73        | 3395.23   |                           |
| August, 2014  | 3505.26        | 3211.78        | 3252.11        | 3300.00        | 3375.79   |                           |
| September, 2014                                       | 3331.36        | 3180.86        | 3226.67        | 3254.55        | 3355.20   |                           |
| <b>Entire 2013-14 Season</b>                          | <b>3380.98</b> | <b>3105.73</b> | <b>3288.66</b> | <b>3119.69</b> |           |                           |

Source: Price Monitoring Information System, Department of Consumer Affairs, GOI



**3.2.6** The monthly swings in the prices were captured by taking the succeeding season's beginning prices in retail market as base and calculating the cumulative variations during each sugar season. The detailed data in this context is at Appendix-VIII. The pattern of the Variation of sugar Retail Prices during 2012-13 and 2013-14, is summarized vide Table-3.5 & 3.6.

**Table-3.5**  
**Variation % (cumulative) of Sugar Retail Prices during 2012-13**

| Centres | % Variation     |                  |                  |                  |                  |                  |                  |                  |                  |                   |                   |                |
|---------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|----------------|
|         | Over<br>1 Month | Over<br>2 Months | Over<br>3 Months | Over<br>4 Months | Over<br>5 Months | Over<br>6 Months | Over<br>7 Months | Over<br>8 Months | Over<br>9 Months | Over<br>10 Months | Over<br>11 Months | Over<br>1 Year |
|         | 30/09/13        | 30/08/13         | 31/07/13         | 28/06/13         | 31/05/13         | 30/04/13         | 28/03/13         | 28/02/13         | 31/01/13         | 31/12/12          | 30/11/12          | 31/10/12       |
| Delhi   | 2.86            | 0                | 0                | -2.7             | -2.7             | -2.7             | -5.26            | -10              | -5.26            | -5.26             | -10               | -10            |
| Mumbai  | 0               | -10              | -10              | -10              | -10              | -2.78            | -5.41            | -7.89            | -7.89            | -10.26            | -12.5             | -14.63         |
| Kolkata | 0               | -2.78            | -2.78            | -2.78            | -2.78            | -2.78            | 3.12             | -2.94            | -5.71            | -8.33             | -13.16            | -10.81         |
| Chennai | -2.94           | -2.94            | -2.94            | -2.94            | -2.94            | -2.94            | 3.12             | -2.94            | -5.71            | -8.33             | -13.16            | -10.81         |

*Source: Price Monitoring Information System, Department of Consumer Affairs, GOI.*

**Table-3.6**  
**Variation % (cumulative) of Sugar Retail Prices during 2013-14**

| Centres | % Variation     |                  |                  |                  |                  |                  |                  |                  |                  |                   |                   |                |
|---------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|----------------|
|         | Over<br>1 Month | Over<br>2 Months | Over<br>3 Months | Over<br>4 Months | Over<br>5 Months | Over<br>6 Months | Over<br>7 Months | Over<br>8 Months | Over<br>9 Months | Over<br>10 Months | Over<br>11 Months | Over<br>1 Year |
|         | 30/09/14        | 29/08/14         | 31/07/14         | 30/06/14         | 30/05/14         | 30/04/14         | 31/03/14         | 28/02/14         | 31/01/14         | 31/12/13          | 29/11/13          | 31/10/13       |
| DELHI   | -2.78           | -5.41            | -2.78            | -7.89            | -7.89            | -5.41            | -2.78            | 0                | -2.78            | 11.76             | 11.76             | 5.56           |
| MUMBAI  | 0               | NR               | -2.56            | NR               | 0                | 0                | NR               | NR               | 2.94             | 2.94              | 0                 | 0              |
| KOLKATA | 0               | 0                | 0                | -2.78            | -2.78            | -2.78            | -2.78            | 2.94             | 3.12             | 3.12              | NR                | 0              |
| CHENNAI | -2.94           | NR               | -2.94            | -2.94            | NR               | -5.71            | NR               | 6.45             | 3.12             | 3.12              | NR                | 0              |

*Source: Price Monitoring Information System, Department of Consumer Affairs, GOI.*



3.2.7 Similarly the variations of sugar Wholesale Prices during 2012-13 and 2013-14, on cumulative basis were captured vide the detailed data at Appendix IX. The pattern is summarized vide Table-3.7 and 3.8.

**Table-3.7**

**Variation % (cumulative) of Sugar Wholesale Prices during 2012-13**

| Centres | % Variation |          |          |          |          |          |          |          |          |           |           |          |
|---------|-------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|----------|
|         | Over        | Over     | Over     | Over     | Over     | Over     | Over     | Over     | Over     | Over      | Over      | Over     |
|         | 1 Month     | 2 Months | 3 Months | 4 Months | 5 Months | 6 Months | 7 Months | 8 Months | 9 Months | 10 Months | 11 Months | 1 Year   |
|         | 30/09/13    | 30/08/13 | 31/07/13 | 28/06/13 | 31/05/13 | 30/04/13 | 28/03/13 | 28/02/13 | 31/01/13 | 31/12/12  | 30/11/12  | 31/10/12 |
| DELHI   | 1.2         | 1.5      | 2.42     | -1.31    | 0        | -0.59    | -0.59    | -4.11    | -4.79    | -9.87     | -8.03     | -12.21   |
| MUMBAI  | -2.1        | -4.3     | -3.94    | -3.64    | -4.51    | -5.62    | -4.75    | -7.33    | -8.3     | -9.91     | -14.36    | -14.62   |
| KOLKATA | 2.12        | -1.46    | -1.46    | -0.88    | -1.17    | NR       | -0.3     | -3.16    | -2.03    | -6.39     | -8.42     | -12.01   |
| CHENNAI | -1.56       | -1.56    | -1.56    | -1.56    | -0.94    | 0        | 5        | -1.56    | -4.55    | -7.35     | -12.5     | -10      |

Source: Price Monitoring Information System, Department of Consumer Affairs, GOI.

**Table-3.8**

**Variation % (cumulative) of Sugar Wholesale Prices during 2013-14**

| Centres | % Variation |          |          |          |          |          |          |          |          |           |           |          |
|---------|-------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|----------|
|         | Over        | Over     | Over     | Over     | Over     | Over     | Over     | Over     | Over     | Over      | Over      | Over     |
|         | 1 Month     | 2 Months | 3 Months | 4 Months | 5 Months | 6 Months | 7 Months | 8 Months | 9 Months | 10 Months | 11 Months | 1 Year   |
|         | 30/09/14    | 29/08/14 | 31/07/14 | 30/06/14 | 30/05/14 | 30/04/14 | 31/03/14 | 28/02/14 | 31/01/14 | 31/12/13  | 29/11/13  | 31/10/13 |
| DELHI   | -1.83       | -6.67    | -8       | -14.13   | -8       | -3.88    | -0.31    | 1.26     | -1.23    | -2.42     | -3.88     | -4.73    |
| MUMBAI  | -1.83       | NR       | -5.35    | NR       | -5.09    | -8.77    | NR       | 7.41     | 8.21     | 1.63      | 0.89      | -0.42    |
| KOLKATA | -1.25       | -3.06    | -3.65    | -6.76    | -6.76    | -8.38    | -5.09    | 3.26     | 6.38     | -1.86     | -5.09     | -5.93    |
| CHENNAI | -3.12       | NR       | -6.06    | -3.12    | NR       | -6.06    | NR       | 10.71    | 7.64     | 4.73      | NR        | -1.59    |

Source: Price Monitoring Information System, Department of Consumer Affairs, GOI.



**3.2.8** The wholesale market is also a pipeline for retail supplies and any undue differential between the two levels at various points of times could be indicative of stock hoarding / imperfect market equilibrium. An attempt was made to analyze the monthly differences between Retail and Wholesale prices during the two comparison periods, for which the detailed data is at Appendix-X and the figures relevant for the analysis are tabulated vide Table-3.9.

**Table-3.9**  
**Spread between Retail and Wholesale Prices**

(Rs./KG\*)

| Centre  | 2012-2013 |       |       |       |       |       |       |       |       |       |       |       |
|---------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|         | 31/10     | 30/11 | 31/12 | 31/01 | 28/02 | 28/03 | 30/04 | 31/05 | 28/06 | 31/07 | 30/08 | 30/09 |
| Delhi   | 2.5       | 2.25  | 2.5   | 2.5   | 2.75  | 3     | 3     | 3.2   | 2.75  | 3     | 2.7   | 1.6   |
| Mumbai  | 4.03      | 4.14  | 3.91  | 4.51  | 6.86  | 5.76  | 5.46  | 7.84  | 8.13  | 8.03  | 7.91  | 4.63  |
| Kolkata | 2.7       | 3.2   | 3     | 3.6   | 3.2   | 3.2   |       | 1.9   | 2     | 1.8   | 1.8   | 2     |
| Chennai | 2         | 2     | 2     | 2     | 2     | 2     | 2.5   | 2.2   | 2     | 2     | 2     | 2     |

| Centre  | 2013-2014 |       |       |       |       |       |       |       |       |       |       |       |
|---------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|         | 31/10     | 29/11 | 31/12 | 31/01 | 28/02 | 31/03 | 30/04 | 30/05 | 30/06 | 31/07 | 29/08 | 30/09 |
| Delhi   | 2.2       | 2.5   | 3     | 3.4   | 3.2   | 3.7   | 3.5   | 3     | 0.5   | 1     | 2.5   | 3.2   |
| Mumbai  | 5.29      | 5.69  | 3.91  | 5.74  |       |       | 4.48  | 5.78  |       | 6.69  |       | 6.85  |
| Kolkata | 1.3       | 1.6   | 1.7   | 4.2   | 3.3   | 2.6   | 1.4   | 2     | 2     | 2.1   | 2.3   | 2.9   |
| Chennai | 1.5       |       | 2.4   | 3.2   | 3     |       | 2     |       | 2     | 1     |       | 2     |

\* Retail Price – Wholesale Price / KG / Month

**Source: Price Monitoring Information System, Department of Consumer Affairs, GOI.**



3.2.9 An attempt was made to capture the sugar procurement pattern of Institutional buyers in the two periods. The figures are tabulated in the Table-3.10.

**Table-3.10**  
**White Sugar Purchase by Institutional Consumers**  
(in 000'MT)

| Period                      | Quantity Purchased |               |             |                      |                |             |                    |              |            |             |                 |              |                        | Remarks      |                           |
|-----------------------------|--------------------|---------------|-------------|----------------------|----------------|-------------|--------------------|--------------|------------|-------------|-----------------|--------------|------------------------|--------------|---------------------------|
|                             | Dairy Processing   | Confectionary | Bakery      | Carbonated Beverages | Processed Food | Pharma      | Squashes /Sherbets | Health Drink | Ice cream  | Star Hotels | Fruit beverages | Chyawanprash | Breweries (beer, wine) |              | Total                     |
| October, 2012               | 169                | 108           | 142         | 47                   | 60             | 77          | 11                 | 13           | 4          | 9           | 6               | 8            | 5                      | 661          | Pre De-Regulation Period  |
| November, 2012              | 181                | 107           | 141         | 41                   | 59             | 76          | 6                  | 13           | 3          | 9           | 6               | 10           | 5                      | 657          |                           |
| December, 2012              | 181                | 108           | 142         | 35                   | 60             | 77          | 5                  | 13           | 2          | 10          | 5               | 11           | 7                      | 657          |                           |
| January, 2013               | 181                | 108           | 142         | 28                   | 60             | 77          | 5                  | 13           | 2          | 9           | 4               | 11           | 8                      | 649          |                           |
| February, 2013              | 190                | 103           | 136         | 35                   | 57             | 74          | 21                 | 12           | 9          | 9           | 5               | 6            | 6                      | 663          |                           |
| March, 2013                 | 194                | 108           | 142         | 131                  | 60             | 77          | 55                 | 13           | 22         | 10          | 18              | 3            | 5                      | 838          |                           |
| April, 2013                 | 212                | 107           | 141         | 200                  | 59             | 76          | 96                 | 13           | 38         | 12          | 27              | 1            | 4                      | 987          |                           |
| May, 2013                   | 230                | 108           | 142         | 224                  | 60             | 77          | 133                | 13           | 53         | 13          | 30              | 1            | 3                      | 1089         |                           |
| June, 2013                  | 201                | 107           | 141         | 210                  | 59             | 76          | 101                | 13           | 40         | 11          | 28              | 1            | 4                      | 992          |                           |
| July, 2013                  | 176                | 108           | 142         | 97                   | 60             | 77          | 53                 | 13           | 21         | 8           | 13              | 1            | 4                      | 775          |                           |
| August, 2013                | 174                | 108           | 142         | 77                   | 60             | 77          | 21                 | 13           | 9          | 9           | 10              | 2            | 4                      | 706          |                           |
| September, 2013             | 169                | 107           | 141         | 53                   | 59             | 76          | 24                 | 13           | 10         | 9           | 7               | 4            | 5                      | 677          |                           |
| <b>Total 2012-13 Season</b> | <b>2259</b>        | <b>1291</b>   | <b>1696</b> | <b>1178</b>          | <b>713</b>     | <b>920</b>  | <b>532</b>         | <b>154</b>   | <b>213</b> | <b>118</b>  | <b>159</b>      | <b>59</b>    | <b>60</b>              | <b>9352</b>  |                           |
| October, 2013               | 186                | 112           | 160         | 50                   | 67             | 91          | 12                 | 14           | 5          | 10          | 7               | 9            | 5                      | 730          | Post De-Regulation Period |
| November, 2013              | 199                | 111           | 158         | 44                   | 66             | 90          | 7                  | 14           | 3          | 10          | 7               | 11           | 6                      | 725          |                           |
| December, 2013              | 199                | 112           | 160         | 38                   | 67             | 91          | 6                  | 14           | 3          | 11          | 6               | 12           | 8                      | 725          |                           |
| January, 2014               | 199                | 112           | 160         | 30                   | 67             | 91          | 6                  | 14           | 3          | 9           | 4               | 12           | 9                      | 717          |                           |
| February, 2014              | 209                | 107           | 153         | 38                   | 63             | 87          | 24                 | 13           | 10         | 10          | 6               | 7            | 7                      | 734          |                           |
| March, 2014                 | 214                | 112           | 160         | 140                  | 67             | 91          | 63                 | 14           | 26         | 11          | 21              | 3            | 5                      | 927          |                           |
| April, 2014                 | 234                | 111           | 158         | 214                  | 66             | 90          | 110                | 14           | 45         | 13          | 32              | 2            | 4                      | 1093         |                           |
| May, 2014                   | 254                | 112           | 160         | 239                  | 67             | 91          | 153                | 14           | 63         | 15          | 35              | 1            | 4                      | 1208         |                           |
| June, 2014                  | 221                | 111           | 158         | 224                  | 66             | 90          | 116                | 14           | 48         | 12          | 33              | 1            | 4                      | 1099         |                           |
| July, 2014                  | 194                | 112           | 160         | 103                  | 67             | 91          | 61                 | 14           | 25         | 9           | 15              | 2            | 4                      | 858          |                           |
| August, 2014                | 191                | 112           | 160         | 82                   | 67             | 91          | 24                 | 14           | 10         | 9           | 12              | 2            | 5                      | 780          |                           |
| September, 2014             | 186                | 111           | 158         | 57                   | 66             | 90          | 28                 | 14           | 11         | 10          | 8               | 5            | 5                      | 749          |                           |
| <b>Total 2013-14 Season</b> | <b>2485</b>        | <b>1338</b>   | <b>1909</b> | <b>1260</b>          | <b>793</b>     | <b>1085</b> | <b>612</b>         | <b>165</b>   | <b>251</b> | <b>130</b>  | <b>186</b>      | <b>65</b>    | <b>66</b>              | <b>10345</b> |                           |

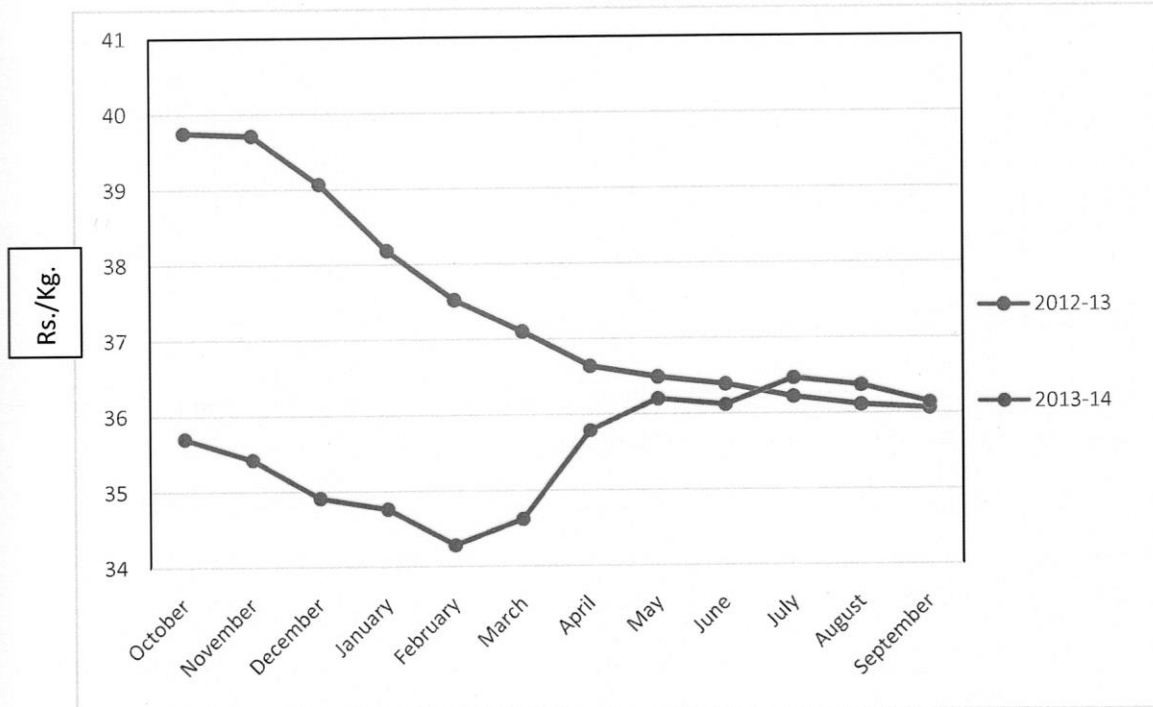
*Source: Inputs from Trade Sources*



### 3.3 Interpretation of the Situation

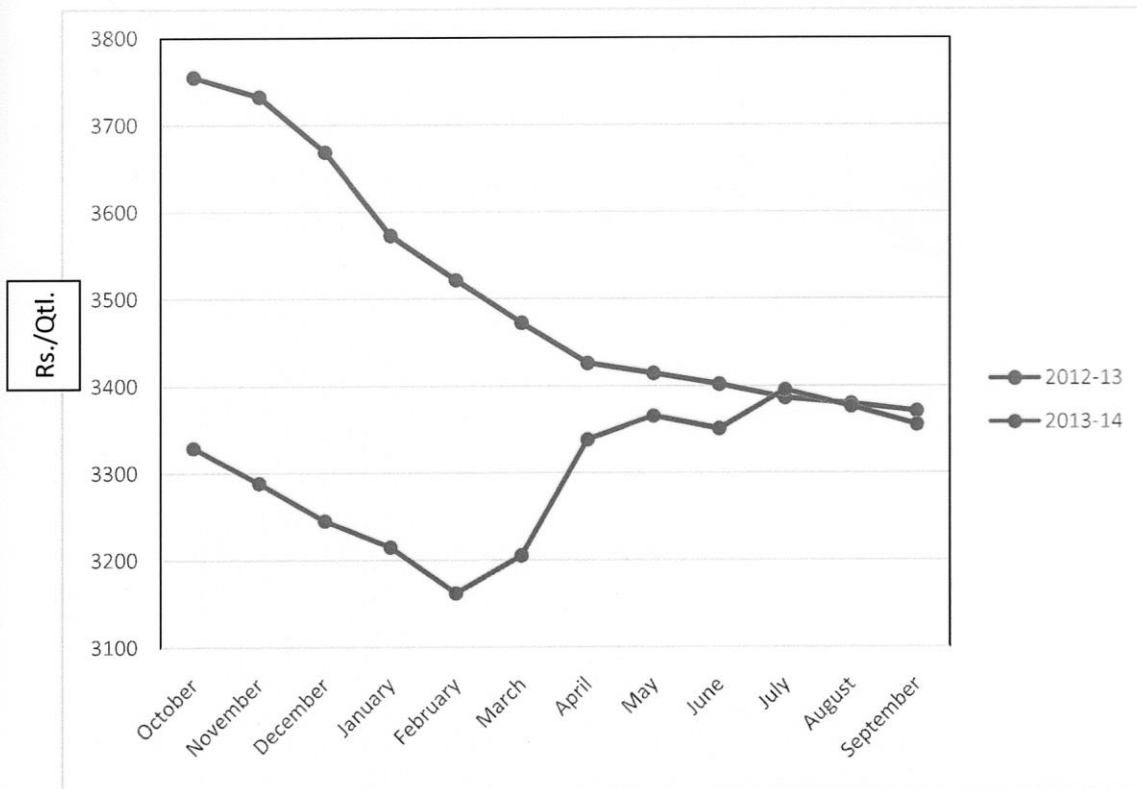
3.3.1 Retail as well as wholesale prices of sugar started moving downwards, after the de-regulation decision around May, 2013, though traditionally in the post production months the prices were expected to peak or at-least remain stable and range bound. The prices continued their down-hill journey in the initial months of 2013-14 but recovered in the post production months of April to September, to an extent, though the levels of October, 2013 were never re-attained. The Fig. 3.1 and 3.2 reflect the trend of the retail and wholesale sugar prices in the pre and post de-regulation phase.

Fig. 3.1 - Trend of Retail Prices of Sugar





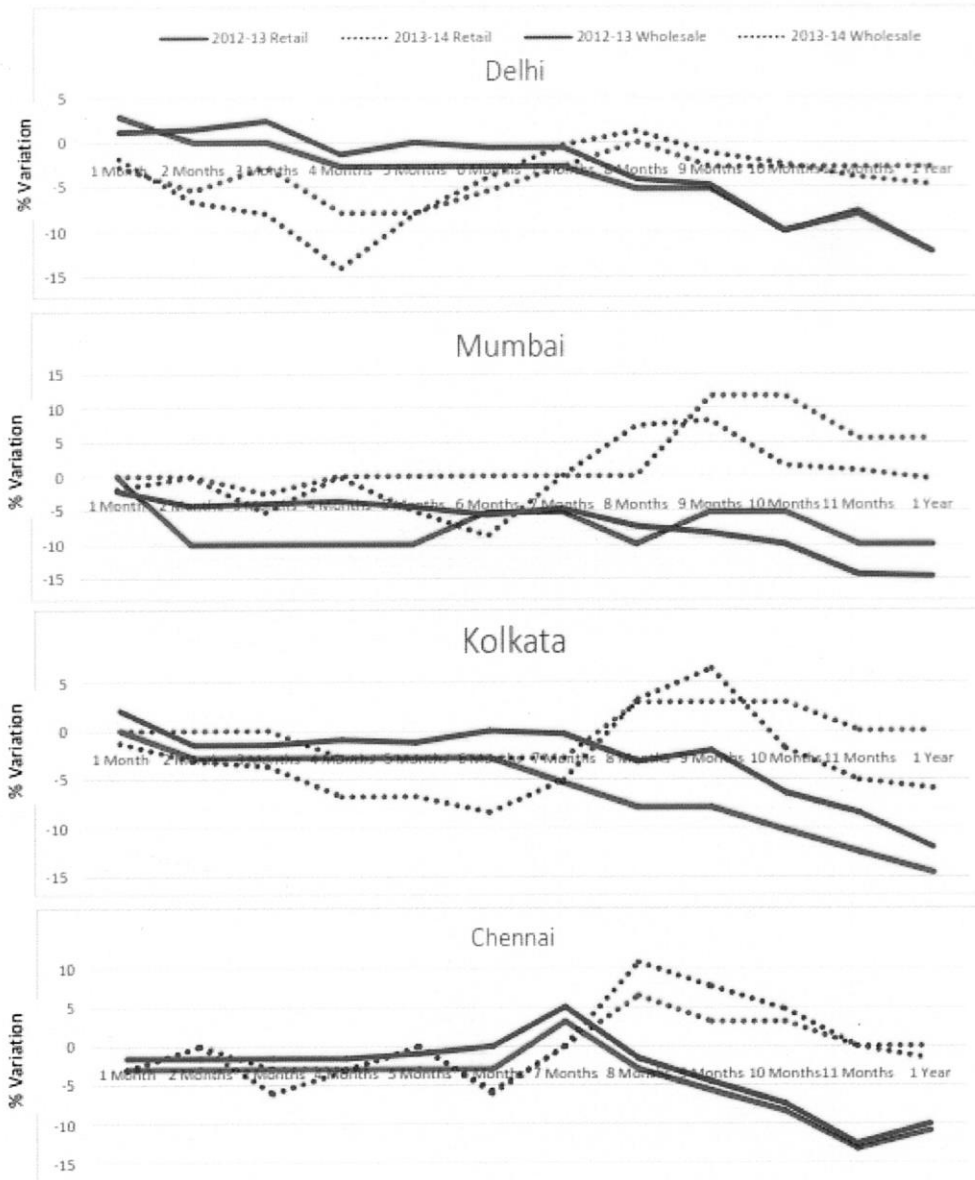
**Fig. 3.2 - Trend of Wholesale Prices of Sugar**



**3.3.2** The prices, both at Retail as well as Wholesale level showed more volatility in the post de-regulation period, as evident from the graphs plotted in Fig. 3.3. The discipline obtainable in a government controlled environment was probably still not attained by the forces of market, in the first year post decades of control. Accordingly, there was increased volatility in prices in the post de-regulation phase, though at lower end of price spectrum.



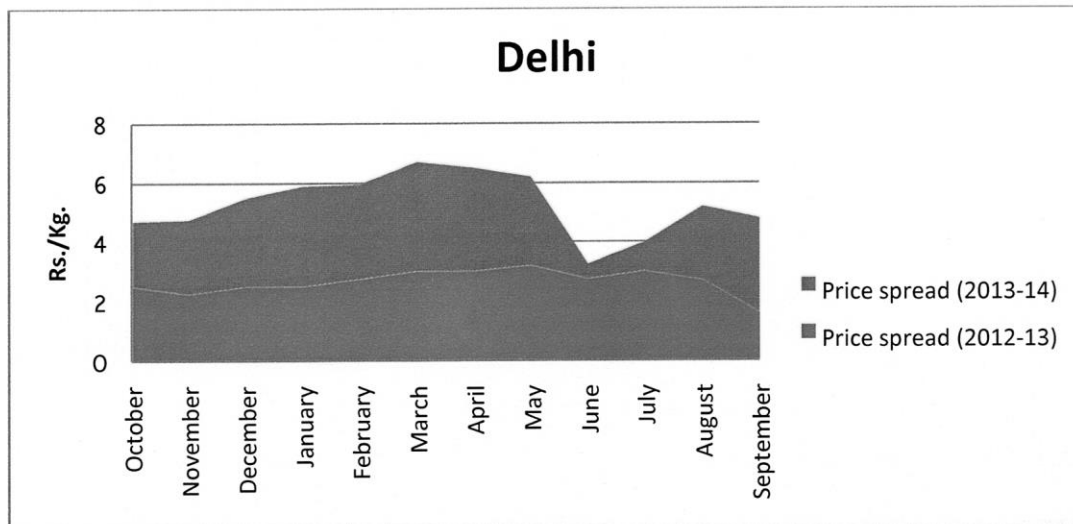
**Fig. 3.3 - Level of Fluctuation in Sugar Prices**





**3.3.3** Apart from volatility, an increased spread between the two market ends i.e. wholesale and retail was seen during post de-regulation phase, which can be indicative of stock hoarding at some levels. Since the data was unavailable for few months in case of other metros except Delhi, the figures could be analyzed only in case of Delhi. As seen in the Fig. 3.4 alludes, in times of market uncertainties in a de-regulated environment, probably the actors were taking time to come to grips the situation.

**Fig 3.4- Spread of Prices between Wholesale and Retail**

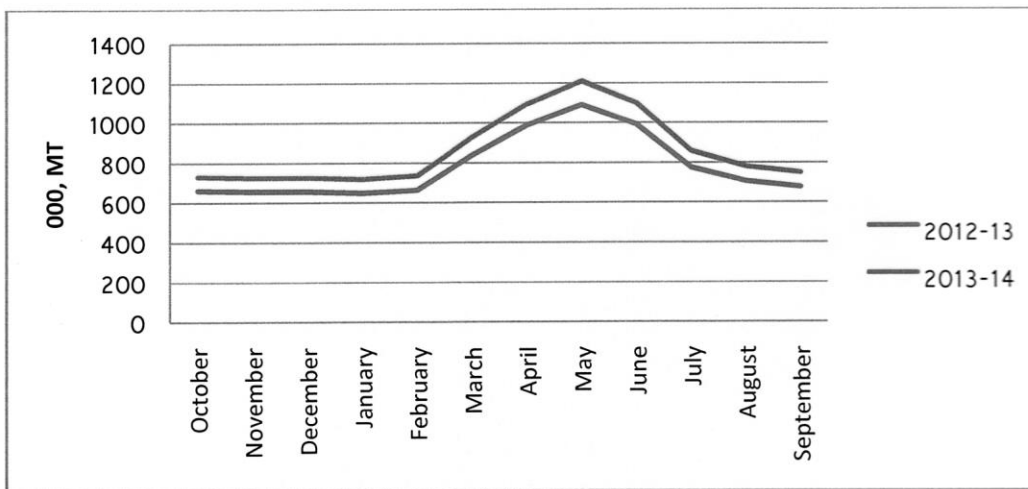


**3.3.4** Though it was expected that in a decontrolled regime, the institutional purchasers which buy in bulk might show a procurement behavior. Theoretically there were two possibilities – either the bulk purchase happens at a price considered appropriate for the business model of the concerned buyer or the purchases are staggered as per requirements, in order to keep control on inventory costs. Though it was usually thought that in the pre de-regulation phase the institutional buyers might be feeling strangled and might be facing difficulties to match the requirements with supplies, the chart drawn vide fig 3.5 indicate that the market was already in an equilibrium state as far as the bulk purchasers were concerned since there was no discernible difference in the bulk



purchasing behavior in the pre and post de-regulation phases. The marginally higher purchases each month can be explained on account of usual increase in per capita consumption as well as population growth.

**Fig 3.5- Trend of Bulk Purchases**



### 3.4 Findings

The domestic consumers, both individuals as well as institutional buyers, by and large gained from the de-regulation. The sugar supplies were ample and were available during 2013-14 at prices, which were lower than the prices obtainable during prede-regulation season i.e. 2012-13. Though the month to month fluctuations were fairly large during 2013-14, these were at lower end of price spectrum and thus, probably, did not impact consumers adversely.

In fact, the down slide in the retail as well as wholesale prices has continued till the writing of this report; these were hovering around Rs.33.55/ kg, for retail and Rs.3071.35/qty for wholesale, on all India basis, for the month of February 2015. This indicates that the sugar prices have still not attained stability in the post de-regulation phase.

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