

The Rs 1-trillion [domestic sugar sector](#) is staring at an unprecedented crisis of lower realisation and market glut resulting in a whopping Rs 225 billion outstanding, which mill owners owe the farmers.

This has prompted the beleaguered industry to knock on the doors of the Prime Minister's Office (PMO) for succour.

Representatives of private and public sector sugar mills have urged the Centre for extending immediate support to the industry by way of export assistance and increasing the sugar minimum support price (MSP) fixed by the central government.

Earlier this month, the Centre had announced a Rs 70 billion package to ease liquidity crunch in the sugar sector and fixed [MSP](#) of white sugar's (refined) selling price at Rs 29/kg.

However, the industry maintained that the announcements were grossly inadequate to bail out the sector given the enormity of the crisis.

The meeting was chaired by Prime Minister Narendra Modi's principal secretary Nripendra Mishra and also attended by the Union food secretary.

ALSO READ: [UP sugar crisis: Yogi govt urges Centre to raise monthly sale quota by 60%](#)

Sources told *Business Standard* that the industry demanded that the sugar [MSP](#) be revised to almost Rs 35/kg for Uttar Pradesh, the country's top producer, and Rs 33/kg for mills located in the western and southern regions, notably Maharashtra, Karnataka and Tamil Nadu.

Till last month, the domestic mills' collective unsold sugar inventory of the current season was around 55 per cent. "The [PMO](#) sought details about the possible sugar export markets and whether it could be promoted in the government-to-government (G2G) or business-to-business (B2B) categories. However, there was no explicit commitment, although the [PMO](#) has given assurance that it will look into the matter," sources added.

Meanwhile, UP's sugar industry, which accounts for almost Rs 125 billion of the total sugarcane arrears, has urged the [Yogi Adityanath](#) government for giving it "direct subsidy" to clear the massive outstanding. 'Direct subsidy' implicitly means urging the state to repay farmers directly to clear dues, an industry official said, requesting anonymity.

UP mills pay the highest sugarcane price in India of Rs 315/quintal for the common variety against the much lower [fair and remunerative price](#) (FRP) of Rs 255/quintal fixed by the Centre. The state mills run up maximum arrears, since mills in other major sugarcane producing states either pay the FRP (Maharashtra) or peg their cane payments according to the revenue sharing model (Karnataka and Tamil Nadu).

ALSO READ: [Uttar Pradesh govt asks sugar mills to pay Rs 123 bn dues in 15 days](#)

Meanwhile, the [sugar industry](#) in other states has also urged their respective governments for similar support to clear dues with the next crushing season (2018-19) due in a few months.

Recently, the Adityanath government had urged the Centre to increase its (UP mills' sale quota) monthly sugar sales quota by 60 per cent to a million tonnes (mt) from 0.625 mt, so that liquidity of mills could improve for speedier settlement of arrears.

Although, UP's sugar production stands at over 12 mt compared to about 10.7 mt in Maharashtra, the latter's sale quota was fixed at a much higher level of 0.90 mt than UP. Last week, the UP government had put the mills on a 15-day notice to settle dues failing which strict action would be taken against them, especially those units, whose payment levels were less than 50 per cent.