was constituted in 2011 to look into all issues of deregulation in the sugar industry. The Rangarajan Committee submitted its report to the Government in October 2012 with 8 broad recommendations. They were (1) removal of levy sugar, (2) dispensing of regulated release mechanism of non-levy sugar, (3) abolition of cane-area reservation system and bonding, (4) doing away with minimum distance norms for sugar mills, (5) liberalisation of sugar trade, (6) market determination of prices of byproducts with no earmarked end-use allocations, (7) rationalisation of sugarcane pricing, and (8) taking out sugar from the purview of Jute Packaging Materials Act, 1987. The details of the recommendations and the status of implementation are given in the following table:

Table 11: Rangarajan Committee Recommendations and Status

Sl. No.	Issue	Recommendation	Status
1	**Cane-Area Reservation**	Over a period of time, states should encourage development of market-based long-term contractual arrangements, and phase out cane reservation area and bonding. In the interim, the current system may continue.	States have been requested to consider the recommendations for implementation as deemed fit. So far, none of the States have taken action, current system continues. There is no reservation of area in Maharashtra
2	**Minimum Distance Criteria**	It is not in the interest of development of sugarcane farmers or the sugar sector, and may be dispensed with as and when a state does away with cane reservation area and bonding.	States have been requested to consider the recommendations for implementation as deemed fit. So far, none of the States have taken action, current system continues
3	**Sugarcane Price Revenue Sharing**	Based on an analysis of the data available for the byproducts (molasses and bagasse/cogeneration), the revenue sharing ratio has been estimated to amount to roughly 75% of the ex-mill sugar price alone.	States have been requested to consider the recommendations as deemed fit. So far only Karnataka and Maharashtra have passed state Acts to implement this recommendation.
4	**Levy Sugar**	Levy sugar may be dispensed with. The states which want to provide sugar under PDS may henceforth procure it from the market directly according to their requirement and may also fix the issue price. However, since currently there us an implicit cross-subsidy on account of the levy, some level of Central support to help states meet the cost to be incurred on this account may be provided for transitory period.	Central Government has abolished levy on sugar produce after 1st October, 2012. Procurement for PDS operation is being made from the open market by the states/UTs and Government is providing a fixed subsidy @ ₹18.50 per kg for restricted coverage to AAY families only who will be provided 1 kg sugar per family per month.
5	**Regulated Release Mechanism**	This mechanism is not serving any useful purpose, and may be dispensed with.	Release mechanism has been dispensed with.

Sl. No.	Issue	Recommendation	Status
6	**Trade Policy**	As per the Committee, trade policies on sugar should be stable. Appropriate tariff instruments like a moderate export duty not exceeding 5 per cent ordinarily, as opposed to quantitative restrictions, should be used to meet domestic requirements of sugar in an economically efficient manner.	Import and export of sugar is free without quantitative restrictions, but subject to prevailing rate of custom duty. Import duty has been enhanced from 25% to 40% w.e.f. 29.4.2015; which has now been enhanced to 50% w.e.f. 10.07.2017. Custom duty @ 20% has been imposed on export of sugar vide Department of Revenue's notification no. 37/2016 dated 16.06.2016.
7	**Byproducts**	There should be no quantitative or movement restrictions on by products like molasses and ethanol. The prices of the byproducts should be market-determined with no earmarked enduse allocations. There should be no regulatory hurdles preventing sugar mills from selling their surplus power to any consumer.	Excise duty on potable alcohol/ liquor is a major source of revenue for the State Govts. Restriction on movement of ethanol and levying of taxes and duties on it by State Governments continue to be an impediment in successful implementation of EBP. The Department of Industrial Policy and promotion has now amended the I(D&R) Act, 1951 vide notification No. 27 of 2016 dated 14.5.2016. With this amendment, the States can legislate, control and/or levy taxes and duties on liquor meant for human consumption only. Other than that i.e. denatured ethanol, which is not meant for human consumption, will be controlled by the Central Government only. With the amendment of I(D&R) Act, 1951 not only the movement of fuel grade ethanol will become smoother but the industry will be encouraged to produce more ethanol thereby increasing the blending percentage with petrol further.
8	**Compulsory Jute Packing**	May be dispensed with.	The compulsory packaging of sugar in jute bags has been relaxed further. Only 20% of the production is to be mandatorily packed in jute bags.

Source: Department of Food and Public Distribution Annual Report 2018–19

3.4 It can be seen that while some of the major recommendations of the Rangarajan Committee have been implemented, some others were left to the State Governments to decide. Developments since 2012 indicate that States have been generally reluctant to undertake reforms in the context of abolition of cane-area reservation, minimum distance norms, etc. Besides, not all States have done away with the concept of SAP. Also, a major recommendation regarding the pricing of sugarcane linked to 70% of the value of sugar and byproducts or 75% of ex-mill price of sugar has also not been implemented. There is a need for a continuous dialogue with the State Governments that are yet to implement major reform measures.

4.4 Various measures have been undertaken by the Government of India to encourage the domestic production of ethanol. These include amendments to the Industries (Development and Regulation) Act, 1951, to legislate exclusive Central control over denatured alcohol, reduction of the Goods and Services Tax (GST) levied on ethanol for EBP to 5%, reintroduction of the administered price mechanism, expansion of the programme and opening up alternate production routes. The government has also adopted different pricing methods to boost the supplies of ethanol for the EBP programme. However, the level of ethanol blending has remained low. The table below shows the quantities of ethanol supplied and the blending percentages subsequently achieved by OMCs.

Table 12: Details of Ethanol Supplied and Blending Percentages

Ethanol Supply Year	Tendered Qty (crore Lit)	Qty Allocated (crore Lit)	Qty Supplied (crore Lit)	Blending %age PSU OMCs
2012–13	103.0	32.0	15.4	0.67%
2013–14	115.0	70.4	38.0	1.53%
2014–15	128.0	86.5	67.4	2.33%
2015–16	266.0	130.5	111.4	3.51%
2016–17	280.0	80.7	66.5	2.07%
2017–18	313.0	161.04	150.5	4.22%
2018–19*	329.0	268.6#	94.1 (*30.04.19)	6.10%

Source: Ministry of Petroleum and Natural Gas

Out of this contracted quantity is 237.6 crore litres

4.5 As is evident from the table above, the quantity of ethanol supplied has been significantly lower than the tendered quantity. This is largely due to supply-side constraints, which include limited distillation capacity and availability of molasses.

4.6 The 2018 National Policy on Biofuels seeks to address these issues. A National Biofuel Coordination Committee has been set up under the policy. It hopes to resolve the lack of raw material availability by expanding the base of raw materials to include B molasses, sugarcane juice and damaged foodgrains unfit for human consumption. This measure aims to help OMCs achieve higher blending targets. Presently, the Ministry of Petroleum and Natural Gas (MoP&NG) is undertaking the EBP programme to achieve 10% ethanol blending percentage in petrol by 2021–22. A differential pricing mechanism for ethanol based on its source material has been introduced, as shown below. Public sector OMCs follow an order of priority for ethanol procurement: from 100% sugarcane juice, B heavy molasses/ partial sugarcane juice, C heavy molasses, and damaged foodgrains, in this particular order.

Table 13: Differential Pricing Mechanism for Ethanol

Source Material for Ethanol Production	Price Paid to Suppliers (Ex-Mill)
100% sugarcane juice	Rs. 59.19*
B heavy molasses/partial sugarcane juice	Rs. 52.43
C heavy molasses	Rs. 43.46
Damaged food grains / Other sources	Rs. 47.13

*This price will be paid only to those sugar mills that divert 100% sugarcane juice for production of ethanol thereby not producing any sugar

Source: Ministry of Petroleum and Natural Gas

4.7 Public sector OMCs follow an order of priority for ethanol procurement: from 100% sugarcane juice, B heavy molasses/ partial sugarcane juice, C heavy molasses, and damaged foodgrains, in this particular order. Until April 2019, OMCs have allocated 268.6 crore litres of ethanol procurement via EOI/tenders. The allocation of tenders from different feedstocks is as shown below and supplies of given quantities have started for the Ethanol Supply Year 2018–19. The task force feels there is significant scope to enhance allocation of ethanol produced through 100% sugarcane juice route.

Table 14: Allocation Tenders of Ethanol

Raw Material for Ethanol Production	Allocated Quantity (Crore litres)
100% sugarcane juice	2.10
B heavy molasses/partial sugarcane juice	49.67
C heavy molasses	194.85
Damaged foodgrains/Other sources	22.01
Total	**268.63**

Source: Ministry of Petroleum and Natural Gas

4.8 Attempts to incentivise ethanol production have been made via an interest subvention scheme, namely: the scheme for augmenting and enhancing ethanol production capacity. The scheme is jointly monitored by MoP&NG and the Department of Food and Public Distribution (DFPD). So far, the DFPD has approved (in-principal) 114 proposals for a maximum loan amount of ₹6,139.08 crore, for granting interest subvention. The Government of India has also allocated additional funds for the scheme. These proposals are estimated to add another 200 crore litres of ethanol production capacity. The procurement of ethanol from grain surplus projected by the Ministry of Agriculture and Farmers' Welfare has also been approved.

4.9 The amendment of the IDR Act also aims to smoothen inter- and intra-state movement of ethanol by giving the Central Government exclusive control over it. The possibility of higher blending, beyond 10%, in ethanol-surplus states of Uttar Pradesh and Maharashtra is also being explored to avoid the movement of ethanol across the country. For this, the Bureau of Indian Standards has already notified E-20 Standards. The targets of ethanol blend percentage and estimates of the quantity of ethanol required for blending in petrol is as under:

Table 15: Ethanol Blending Targets

Ethanol Supply Year	Targeted Ethanol Blend %age	Estimated Required Quantity of Ethanol in crore lit
2018–19	6.0%	225
2019–20	7.0%	280
2020–21	8.5%	360
2021–22	10.0%	450

Source: Ministry of Petroleum and Natural Gas