

DAWN

January, 6 2010

Sugar mills reject CCP charge of fixing price

By Our Staff Reporter

LAHORE, Jan 5: The Competition Commission of Pakistan's decision to serve notices to sugar mills across the country on charges of anti-competitive practices has peeved the industry that is already grappling with issues like cane shortage and its record high prices.

"Our decision to invest in sugar industry has become our biggest crime," a miller from south Punjab, who requested anonymity, told *Dawn* on Tuesday. "How could a heavily regulated sector like sugar industry involve itself in cartelisation?" he asked.

The CCP had last week issued notices to the 66 mills for fixing their prices and forming zones for procuring sugarcane at cheaper rates. The mills have been given two weeks (till Jan 14) to file their written replies to clear their position on the charges.

A preliminary CCP inquiry report alleges that the documents seized by the commission officials from the PSMA offices showed that the mills were involved in fixing their prices and creating zones for buying cane at lower rates.

"It is government that fixes the prices of our raw material, sugarcane, and our end-product, refined sugar. It is also a government decision as to when we start crushing. We from time to time keep receiving directions from the administration on retail sugar prices. How come then that we are being accused of cartelisation?," the miller asked.

He said the mills raised their prices on their own only when they had to pay higher than government-fixed price to cane growers. "No businessman can afford to sell his product at lower rates than his cost of production," he added.

On the issue of zoning, a food department official told this reporter that the law provided that the cane commissioner could reserve any area for the purpose of supply of cane to a particular factory during a particular season. So there is no illegality about it as the mills cannot do so on their own," the official said.

Another miller, who also requested anonymity, said it was preposterous to assume that a few mills located in one region decide the price and impose it on the rest of the industry as alleged by the CCP. "It is a totally wrong assumption and we should not be punished for this," he added.

He said the CCP should ask the government to change the laws regulating the sugar sector before applying its own competition laws on the industry.

He also said the mills decision to procure the unapproved cane variety from farmers to save them from losses had "also become our sin".

"We purchased the unapproved variety (after 25 to 50 per cent deduction on its price) only to help the growers to lose money they had invested in their crops.

The prosecution of the sugar sector by the CCP will only lead to the industry's undoing. It will lead to huge investment and job losses," he warned.