Addressing Sugar Sector Crisis

What is the issue?

\n\n

\n
- The sugar sector is beset with a crisis with high production, low prices and accumulation of sugarcane price arrears.
\n
- It calls for swift actions from the Centre and State governments to address this.
\n

\n\n

What are the concerns?

\n\n

\n
- The crisis is part of the cycle of ups and downs in the supply and prices of sugarcane and sugar.
\n
- Sugarcane price arrears payable by mills to farmers have been accumulating.
\n
- The total unpaid dues of farmers crossed Rs 160 billion in March-end, 2018.
\n
- It reflects a liquidity crunch in the sugar industry.
\n
- Also the financial deprivation of farmers who have already supplied their produce to factories is obvious.
\n

\n\n

What are the measures taken?

\n\n

\n

- **Measures** - A series of measures were taken by the Centre to balance the high production.
  \n
- This was done through exports and stabilising sugar prices.
  \n
- The measures include:
  \n

\n\n

\n

i. doubling of import duty
   \n
ii. abolition of export duty
   \n
iii. mandatory export of 2 million tonnes of sugar
   \n
iv. fixing the quota of sugar that each mill can sell in the domestic market
   \n

\n\n

\n

- Government's market measures have achieved little because of the slump in the international market.
  \n
- Such piecemeal moves are unlikely to bring in a lasting solution.
  \n

\n\n

What are the Rangarajan committee recommendations?

\n\n

\n

- The C Rangarajan committee report has made recommendations on sugar deregulation (Click here to know more).
  \n
- The Centre has accepted the report in 2013 and implemented some of the recommendations.
  \n
- These include lifting the levy on sugar production and doing away with the monthly release mechanism for open market sale.
  \n
- **States** - The relatively more crucial recommendations of the committee were left to the states to accept and implement.
  \n

- However, the states' pace of action in this regard leaves much to be desired.
\n
- The most pertinent recommendation is to abandon the system of state advised prices for sugarcane.
\n
- It was suggested to be replaced with the **revenue-sharing formula**.
\n
- Under this, 70 to 75% of the revenue generated by the mills from the sale of sugar and its by-products is shared with cane suppliers.
\n
- It balances the interests of cane producers and the sugar industry.
\n
- It lets the production of both sugarcane and sugar to be dictated by market demand.
\n
- This has not been conceded by most states, barring Maharashtra, Karnataka and, recently, Tamil Nadu.
\n
- **Farmers** - The farmers are now turning suspicious of the revenue-sharing formula.
\n
- The apprehension is that sugar factories always show losses or very little profits.
\n
- This denies the farmers their legitimate stake in the revenue.
\n

\n\n

What is desired?

\n\n

\n
- A sound long-term strategy is the need of the hour.
\n
- Linking the prices of inputs (mainly sugarcane) with those of the output (sugar and by-products) is crucial.
\n
- States have to act swiftly in implementing the C Rangarajan committee report suggestions.
\n
- The revenue-sharing model, indeed, holds the key to production and price stability in this sector.
\n
- Better supervision and audit of sugar mills’ accounts is imperative to restore

the farmers’ confidence in revenue sharing formula.
\n

\n\n

\n\n

Source: Business Standard

\n