

Addressing Sugar Sector Crisis

What is the issue?

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- The sugar sector is beset with a crisis with high production, low prices and accumulation of sugarcane price arrears.

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- It calls for swift actions from the Centre and State governments to address this.

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What are the concerns?

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- The crisis is part of the cycle of ups and downs in the supply and prices of sugarcane and sugar.

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- Sugarcane price arrears payable by mills to farmers have been accumulating.

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- The total unpaid dues of farmers crossed Rs 160 billion in March-end, 2018.

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- It reflects a liquidity crunch in the sugar industry.

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- Also the financial deprivation of farmers who have already supplied their produce to factories is obvious.

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What are the measures taken?

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- **Measures** - A series of measures were taken by the Centre to balance the high production.

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- This was done through exports and stabilising sugar prices.

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- The measures include:

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- i. doubling of import duty

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- ii. abolition of export duty

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- iii. mandatory export of 2 million tonnes of sugar

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- iv. fixing the quota of sugar that each mill can sell in the domestic market

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- Government's market measures have achieved little because of the slump in the international market.

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- Such piecemeal moves are unlikely to bring in a lasting solution.

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What are the Rangarajan committee recommendations?

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- The C Rangarajan committee report has made recommendations on sugar deregulation (Click [here](#) to know more).

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- The Centre has accepted the report in 2013 and implemented some of the recommendations.

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- These include lifting the levy on sugar production and doing away with the monthly release mechanism for open market sale.

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- **States** - The relatively more crucial recommendations of the committee were left to the states to accept and implement.

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- However, the states' pace of action in this regard leaves much to be desired.

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- The most pertinent recommendation is to abandon the system of state

advised prices for sugarcane.

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- It was suggested to be replaced with the **revenue-sharing formula**.
- 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.
- It balances the interests of cane producers and the sugar industry.
- It lets the production of both sugarcane and sugar to be dictated by market demand.
- This has not been conceded by most states, barring Maharashtra, Karnataka and, recently, Tamil Nadu.
- **Farmers** - The farmers are now turning suspicious of the revenue-sharing formula.
- The apprehension is that sugar factories always show losses or very little profits.
- This denies the farmers their legitimate stake in the revenue.

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What is desired?

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

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Source: Business Standard

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