

# **Sugar Reforms**

## Why in News?

The Commission for Agricultural Costs and Prices (CACP) has suggested for introducing dual pricing of sugar for commercial and domestic consumers.

## Will the CACP suggestion benefit the sector?

- This suggestion is unlikely to resolve the recurring financial woes of the sector so its problems are primarily the consequence of policy limitations and want of reforms.
- In any case, mere tampering with sugar pricing cannot ensure economic stability for the sugar industry unless the output prices and the input costs are correlated.

## What is the current status of the industry?

- Currently, the sugar industry is having a good run for several reasons.
- Exports have turned feasible, because of the government subsidy and a spike in international prices.
- Realisations from domestic sales of sugar and its by-products, notably ethanol, have also improved.
- The burdensome inventories have shrunk with many mills having already got rid of their surplus stocks.
- The government has offered a series of bailout measures and fiscal sops.
- These include lucrative prices for ethanol; creation of sugar buffer stock; and soft loans to the industry with a hefty 7% interest subvention.

## What are the worrying issues?

- The **unpaid dues** to the farmers continue to remain a worrying issue.
- Besides, the sugar sector is notorious for its cyclic ups and downs.
- In the National Policy on Bio-fuels 2018, the government has allowed the use of B grade molasses and sugarcane juice as feed stocks to increase availability of ethanol.
- This recent policy modification is set to encourage the cultivation of sugarcane, a water-guzzling crop, exclusively for alcohol making.
- India, a water-stressed country can ill-afford this.
- The **ecological damage** from increased cane farming may be higher than

the benefits of using ethanol as transport fuel.

#### What could be done?

- Instead of further complicating the matters through dual pricing, digging up the 2012 Rangarajan committee report on sugar would be far better.
- The **practical pricing system** mooted by the committee should be implemented.
- The proposed benefit sharing formula envisages assigning 70% of the revenue earned by sugar mills from the sale of sugar and its by-products to the cane growers.
- The objective is to link the prices of sugarcane with those of sugar and its byproducts.
- This would, in turn, allow the output of both sugarcane and sugar to be determined by market dynamics and stave off scarcities and gluts.
- It would also **safeguard the interests of all stakeholders** cane farmers, sugar industry, traders and consumers.

#### **Source: Business Standard**

