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 by-products.
- 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