

# Sugar and Sugarcane sector

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Sugar industry is an important agro-based industry that impacts the rural livelihood of about 50 million sugarcane farmers and around 5 lakh workers directly employed in sugar mills. Employment is also generated in various ancillary activities relating to transport, trade servicing of machinery and supply of agriculture inputs. Sugar mills produce sugar which is an essential commodity and is a very sensitive item for the public and politics.

**In news:** Sugar sector in sweet spot on govt policies; stocks rise in double digits in 2021

**Placing it in syllabus:** Economy

## Dimensions

- Rangarajan Committee
- Buffer and Levy Sugar
- Sugar and Sugarcane Pricing
- Cropping Pattern
- Climate Effects

## Content:

### Rangarajan Committee:

Similar to many other committees formed by the government the Rangarajan Committee in November 2012 recommended the sugar industry decontrol. The salient recommendations are as follows:

### *Cane Area Reservation:*

- It said that over a period of time, states should encourage development of such market-based long-term contractual arrangements, and phase out cane reservation

area and bonding. In the interim, the current system may continue.

- The centre requested States to consider the recommendations for implementation as deemed fit. So far, none of the States have taken action, the current system continues.

### ***Minimum Distance Criteria:***

- The committee suggested the removal of the concept of a minimum distance of 15 km between any two sugar mills, obligating a mill to buy cane from growers within the reservation area.
- It said this created a monopoly of sugar mills over a large area.
- Instead, mills must enter into contracts with farmers. This would help to phase out the cane reservation area and bonding.
- States have been requested to consider the recommendations for implementation as deemed fit.
- There is no reservation of area in Maharashtra. Rest of the States have not made any changes in the current arrangement.

### ***Levy Sugar:***

- Committee said the system of levy sugar should be done away with.
- Under it, the mills were required to sell 10 per cent of their production to the government at below market price for the poor under the TPDS.
- Instead, the panel said, the States that wanted to provide sugar under the TPDS might procure from the open market through competitive bidding, and also fix the issue price.
- It also asked the government to rationalize the current issue price for TPDS sugar, which has not been revised for many years.

## ***Sugarcane Price & Revenue Sharing***

- It said the State Administered Price (SAP) of sugar cane set by the States should be done away with, in favour of the Fair and Remunerative Price (FRP) set by the Centre as the minimum
- Mills must share 75 per cent of the value of sugar and each by-product, including bagasse, molasses and press-mud (ex-mill), as cane dues payable to farmers for supplies
- States have been requested to consider the recommendations for implementation as deemed fit.
- So far only Karnataka & Maharashtra have passed state acts to implement this recommendation.

## ***Compulsory Jute Packing:***

- The committee recommended to remove compulsory jute packaging requirement.
- Now, the compulsory packaging of sugar in jute bags has been relaxed further. And only 20% of the production is to be mandatorily packed in jute bags.

## **Buffer and Levy Sugar:**

- Sugar was distributed through the Targeted Public Distribution System (TPDS) by the States/UTs at subsidized prices
- Under the system of Levy Sugar, the mills were required to sell 10 percent of their production to the government at below market price for the poor under the TPDS.
- The Central Government has abolished levy on sugar produce after 1st October, 2012.
- Procurement for PDS operation is being made from the open market by the states/UTs and Government is providing a fixed subsidy @ Rs. 18.50 per kg for restricted coverage to Antyodaya Anna Yojana (AAY) families only who will be provided 1 kg of sugar per

family per month.

## **Sugar and Sugarcane Pricing:**

- With the amendment of the Sugarcane (Control) Order, 1966 on 22.10.2009 and the concept of Statutory Minimum Price (SMP) of sugarcane **was replaced with the 'Fair and Remunerative Price (FRP)'** of sugarcane for 2009-10 and subsequent sugar seasons.
- The **cane price** announced by the Central Government is **decided on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP)** after consulting the State Governments and associations of the sugar industry.
- The amended provisions of the Sugarcane (Control) Order, 1966 provides for fixation of FRP of sugarcane having regard to the following factors:-
  - cost of production of sugarcane;
  - return to the growers from alternative crops and the general trend of prices of agricultural commodities;
  - availability of sugar to consumers at a fair price;
  - price at which sugar produced from sugarcane is sold by sugar producers;
  - recovery of sugar from sugarcane;
  - the realization made from sale of by-products viz. molasses, bagasse and press mud or their imputed value;
  - reasonable margins for the growers of sugarcane on account of risk and profits
- Under the FRP system, the farmers are not required to wait till the end of the season or for any announcement of the profits by sugar mills or the Government.
- The new system also assures margins on account of profit and risk to farmers, irrespective of the fact whether sugar mills generate profit or not and is not dependent on the performance of any individual sugar mill
- In order to ensure that higher sugar recoveries are adequately rewarded and considering variations amongst

sugar mills, the FRP is linked to a basic recovery rate of sugar, with a premium payable to farmers for higher recoveries of sugar from sugarcane.

## **Cropping Pattern:**

### ***Growing Conditions:***

- Sugarcane belongs to the bamboo family of plants and is indigenous to India.
- Sugarcane needs a hot and humid climate with an average temperature of 21°C to 27°C. It requires rainfall in the range of 75-150 cm.
- Sugarcane can grow in any soil which can retain moisture. Ideal soil for sugarcane is rich loamy soil.
- It is grown as a Kharif Crop in India.
- India is the 2nd largest producer of sugarcane in the world after Brazil.

### ***Uses:***

- Sugarcane is the main source of sugar, gur and khandsari.
- About two-thirds of the total sugarcane produced in India is consumed for making gur and khandsari and only one third of it goes to sugar factories.
- It also provides raw material for manufacturing alcohol.



## North-South Divide:

Sugarcane cultivation is done in three distinct belts in India:

- **The Sutlej-Ganga plain:** from Punjab to Bihar contains 51 per cent of the total area and 60 percent of the country's total production.
- **The black soil belt:** from Maharashtra to Tamil Nadu along the eastern slopes of the Western Ghats.

- **Coastal Andhra and the Krishna Valley.**

North India	South India
Extreme weather condition in summer and winter affects the crop negatively and yield per unit area is low.	The climate in south is suitable for the crop and hence the yield per unit area is high.
Sugarcane has low sucrose content.	Sugarcane has high sucrose content.
Crushing season is smaller.	Crushing season is longer.
The cooperative sugar mills are not managed properly.	The cooperative sugar mills are better managed.
They lack modern machinery.	They have modern machinery.

## Climate Effects

- It is worth drawing a comparison between sugarcane cultivation in the northern and the southern parts of India.
- In northern plain of India, the summer temperatures

ranging from 30° to 35°C and dry scorching winds called 'loo' in May and June hamper the normal growth of the cane.

- In the winter months of December and January the sugarcane crop is likely to be damaged by excessively cold weather accompanied by frost. Consequently the yield/hectare is low.
- In south India, on the other hand, the absence of 'loo' during the summer and reasonably high temperature during the frost free winter, coupled with the maritime winds in the coastal areas are some of the climatic factors which are extremely beneficial to this crop.
- The paradoxical character of sugarcane cultivation in India is that whereas south India offers more favourable climatic conditions for the growth of sugarcane, the most important sugarcane belt lies in north India.

***There are two reasons for such a contradictory situation:***

- ***Historical Reasons:*** Before World War I, this area was mainly used for growing indigo which was the most favourite cash crop with the farmers at that time. But with the introduction of cheap aniline dyes, indigo lost its market and its cultivation had to be discontinued after the First World War. Consequently, its place was taken by sugarcane cultivation.
- ***Competition for land:*** Another reason is that sugarcane has to face tough competition for land from a number of other cash crops such as cotton, tobacco, groundnut, coconut, etc. in the south.

**Mould your thought:** Describe the cropping pattern of Sugarcane in India. Why is northern India the most important sugarcane belt despite South India offering more favourable climatic conditions?

***Approach to the answer:***

- Introduction
- Discuss the growing conditions and major belts of sugarcane
- Discuss the North South divide briefly
- Mention the reasons for the north-south disparity
- Conclusion