Why reinvent the wheel?

Solutions to sugar sector's woes are already well known

Even as the reports of several high-level committees set up in the past to go into the problems of the sugar sector are gathering dust, yet another task force has been constituted by the National Institution for Transforming India (NITI) Aayog to undertake a similar exercise. The 13-member panel has been asked to suggest long-term strategies to rationalise the sugar economy and align it with the global market. The underlying objective is to reduce the burden on the exchequer due to financial bail-out packages that the government has to repeatedly dole out to sustain the economic health of this ₹800 billion agro-industry and avert piling up of unpaid cane price dues of the sugarcane growers. The task force is also expected to suggest ways and means to mitigate the adverse impacts of sugarcane farming on the environment, notably groundwater. However, neither the hardships faced by this industry nor their remedies are new or unknown. Several earlier committees have outlined well-judged solutions for these problems. The environmental issues have, of course, not received the needed attention in the past, but these can also be taken care of by promoting drip irrigation and water-efficient crop varieties and agronomic practices.

The sugar sector's woes are rooted, truly, in excessive government interference (read controls) and a total disconnect between the prices of input (sugarcane) and output (sugar). The prices have seldom been allowed to be determined by the market. The net result is the periodic ups and downs in sugar production, prices and exports. The present liquidity crunch in the sugar industry can also be attributed to surplus output, depressed prices and unviable exports. It has, predictably, led to the accumulation of cane price arrears and consequential unrest among the cane farmers. Though the government has, as usual, responded with various kinds of direct and indirect fiscal sops, including grants, interest subvention, tacit export subsidies and minimum ex-factory sale price, the crisis persists.

The lasting cure of this industry's ills can be found in the report of the Rangarajan committee, which has mooted wide-ranging reforms to free it of government clutches. Though the Centre had implemented some of its recommendations, it had, at the same time, left some other reforms for the states to carry out but they have remained largely unimplemented. The Centre, too, has re-imposed some of the restrictions it had lifted earlier, thus, defeating the very purpose of sugar sector reforms. What is urgently needed is the introduction of the revenue-sharing formula, suggested by the Rangarajan committee, under which the mills are required to share with the farmers 70-75 per cent of the revenue earned from sugar and its byproducts. By linking the prices with the market, this system allows the production of sugarcane as well as sugar to be dictated by the demand-supply dynamics of the local and global markets. Since such an arrangement is acceptable to all stakeholders in this sector, there is little reason why it should not be implemented forthwith. The NITI Aayog's task force would serve a useful purpose only if it can come up with something better than this.

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