

Disincentivising cane cultivation on agenda

Steps like assured procurement of alternative crops, raising mandatory ethanol blending to 20% to be put in place

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A high-powered task force, formed to find a long-term solution for the sugar sector, is expected to favour disincentivising cane cultivation.

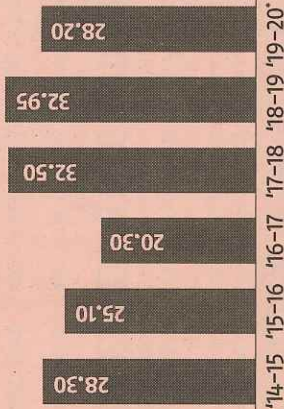
This would be done through measures like assured procurement of alternative crops such as potato and maize in Uttar Pradesh, one of India's foremost sugarcane growing state, and other policy options.

The panel is also likely to support raising the mandatory ethanol blending to 20 per cent from the current level to deal with perpetual surplus in the sector.

The government has fixed a target of 10 per cent ethanol blending by 2022 to cut dependence on energy import. As on June 17, 2019, ethanol blending was 6.20 per cent compared to 0.67 per cent on supply year 2012-13.

On the contentious issue of sugarcane pricing, officials said the task force, which has been constituted by NITI Aayog last year, is likely to suggest linking procure-

SUGAR PRODUCTION (mn tonnes)



*Estimated; sugar season runs from October to September

Sources: Trade, Industry



ment price of sugarcane with the price fetched by selling sugar and its by-products. It would be on the lines of the one suggested by former chairman of Prime Minister's Economic Advisory Council (PMEAC) C Rangarajan back in 2012.

Officials said at present, Rangarajan's formula is the only mechanism available to determine a revenue-sharing formula for sugarcane prices, based on realisations from sugar and its by-products.

However, if any other alternative method comes up, that too could be considered.

According to the Rangarajan formula, sugarcane price is fixed at 70 per cent of the value of sugar and each of its three major by-products, bagasse, molasses and press mud (all ex-mill), or 75 per cent of the value of sugar if the realisations from the by-products are included in it.

The report said that in all circumstances, farmers are to be paid the fair and remunerative price

(FRP), to be given upfront.

The formula was largely welcomed by the industry and few states have also implemented it to fix sugarcane prices. But the major sugarcane producing state of Uttar Pradesh hasn't implemented the panel's recommendations.

Several farmer organisations have been critical of the Rangarajan formula, saying that it gives the farmers a raw deal in the event of a sharp drop in retail price as has been the case since the last few

years. "Sugarcane is a full-year crop (it takes 12-18 months to mature) and provides assured income to farmers.

"To discourage them from growing this crop, some concrete alternative needs to be given, which gives similar or more income," a senior official said.

"Though, in a particular year, there may be some blip in output, the long-term trend line does not show production falling below 27-28 million tonnes," the official said.

On one hand, while sugar production is rising, demand for the sweetener isn't growing at a fast pace. This has created a surplus situation in the sugar economy which may persist for a while, say experts.

In the 2019-20 sugar season that will begin from October, the country will have an all-time high opening sugar stock of over 14 million tonnes.

Though production in 2019-20 is expected to be lower than last year due to drought in several areas, industry players said this, too, isn't expected to push up realisations by much.

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