

UP Sugar Industry's Fate Again Hangs in Balance

Sector to call for a year-long shutdown if demand for rational cane price is not met

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After facing the ire on law & order issues, UP government might face the closure of its sole and the largest agriculture-based ₹35,000 crore sugar industry. UP sugar industry, the second largest in the country, has for the second time since the commencement of the sugar season 2013-14, decided to declare a shutdown, this time for a whole year, if their demand for rational cane price is not met. The sugar industry of the state, which houses noted names such as Bajaj Hindustan, Dhampur Sugar, Dalmia Sugar among others has complained that due to lack of a definite cane price linkage formula, the industry is in no position to pay "unreasonably decided cane price".

The industry executives said that out of all the incentives announced by the central government, none will come to their rescue. "Of the ₹4,400 crore interest-free loan announced by the centre on Monday, only 30% i.e. ₹1,300 crore will fall in the kitty of the state.

Others like ethanol blending is no financial aid and export subsidy is for sugar exporting state Maharashtra," said a senior sugar industry executive.

The cane payment arrears in the state has touched ₹7,000 crore and the industry fears that it would cross the ₹10,000 crore mark by season end. "Under these circumstances, when our own State Government is not appreciative of the problems faced by the industry, and assurances given are not fulfilled, there seems to be no other alternative but to suspend crushing operations of our sugar factories during 2014-15 sugar season," said the letter written by UP Sugar Mills Association (UPSMA) to the chief secretary, government of Uttar Pradesh.

Bitter State of Affairs

Industry demands announcement of cane price linkage formula

- **₹3,000 crore**
Loss faced by UP sugar industry in 2012-13 owing to high cane price and declining sugar prices
- **₹280 /quintal**
UP has highest state advised cane price
- **₹400 crore**
Sops announced by State govt for co-op mills, none for private ones
- **₹35,000 crore**
Value of sugar industry in UP



₹7,000 cr

Current cane arrears in the state

₹11,000 cr

Total cane arrears across the country



Of the total sugar produce in Maharashtra & Karnataka have cane price linkage formula

Sugar prices touch a six-month high

The letter reviewed by ET said that during 2011-12 and 2012-13 sugar seasons alone, the industry has lost around ₹4000 crore, only because there has been a total mismatch between the sugar prices fixed by UP Government and the revenue realization by the mills.

The state advised cane price for this season is ₹280 per quintal, against the demand of the industry to keep it at ₹240 per quintal or imply the Rangarajan formula for cane price linkage to market rate of sugar.

Other sugar producing states such as Maharashtra and Karnataka have already adopted linkage formula for cane price wherein farmers share the revenue generated by the mills.

A UP sugar industry executive requesting anonymity said that since the close of the last sugar season in September 2013, at least 40 FIRs have been issued by the state government to the millers on non-payment of dues to the cane farmers. "We had cautioned the state government that the arrears would touch ₹10,000 crore, then there is no need for such coercive action. We are open for providing suggestions and advice in the larger benefit of the industry," said a sugar industry executive.

"We can't help it if the cane price is beyond our payment capacity. Incentives might help now, but the

same situation would arise in the next season. We need a definite solution in form of a cane price formula," said the executive.

The UP sugar industry has recommended sharing of 75% of revenue realisation with the farmers. "This would translate into a cane price of around ₹240-250 per quintal," said UPSMA executive.

Notably, in the state budget announced last week, around ₹400 crore was allocated to the co-operative mills recently to pay the cane farmers. "The co-operative millers get a discount of ₹80 per quintal on the cane price and we get none. The private millers are producing 90% of the state's sugar and are asking for just ₹40 per quintal relief on cane price," said a UP based private miller. Sugar prices have been on a downslide, since the commencement of current sugar season, touching the lowest in five years in January this year. The announcement of financial sops cheered the industry and market.

The spot price at NCDEX for the Kolhapur mandi was at ₹31.85 per kg, for Kanpur mandi it increased to ₹33.60 per kg. The retail price of sugar in both Mumbai and Delhi have already touched a six month high at ₹38 and ₹38.12 per kg, respectively.

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