Sweet times ahead

Better rainfall this year has convinced farmers in the two top cane-growing states to return to the crop

KASI VISHWANATHAN

GLOBAL surplus, or deficit, of sugar output is dependent mainly on four top sugar producers, viz. Brazil, India, the EU and Thailand. Similarly, in India, this is dependent on Maharashtra, Uttar Pradesh, Karnataka and Tamil Nadu, which accountfor more than 80% of national sugar output. Swings in production generally comes from Maharashtra and Karnataka.

There were two years of continuous drought in Western and Southern parts of India. The El Ninoeffecton south-west (SW) mensoons in 2015 was the worst since 1997 and the rainfall was 14% below normal. Agriculture in two major sugar-producing states, viz. Maharashtra and Karnataka, was badly affected.

Incase of Maharashtra, water level in major reservoirs had fallen below 8% in March this year. The state government even advised farmers to plant other crops, saying that water from dams will not be released for irrigation. It also reportedly said that it will not allow sugar mills in North Maharashtra tocrush sugar arcane in 2016-17, as dams/reservoirs in this region were almost dry Many farmers left cane cultivation and switched to other crops, due to which cane area in the state dropped by 30% in 2016-17. Domestic sugar prices have also dropped by 889/log, much below the production cost, resulting in accumulation of arrears of over \$22,000 crore in April 2016.

After two consecutive years of belownormal rainfall in the country, the 2016 SW monsoon brought relief to nearly the entire country. Though the cumulative rainfall was 3% below normal, canegrowingareas of alistates received better rainfall this year, and major reservoirs in the country have filled up. Water levels in major reservoirs of Maharashtra and Karnataka (on October 20) were five timeshigher than last year.

There are seven major reservoirs in Maharashtra. The Jayakwadi reservoir—supply from which covers the Aurangabad and Nanded districts in North Maharashtra—has water at 82% of its storage capacity whereas last year, during the same period, its level had gone down to 5%. Other cane belts like Satara, Solapur, Kolhapur and Sangli are connected to rivers like Koyna, Bhima (Ujiaini), and Mula, and water levels in these reservoirs were at around 100% (except Krishna, where it is at 60%) as compared

to 72%, 15%, 51% and 33%, respectively, on the corresponding date last year.

As soon as the first monsoon shower brought water to the fields and dams/reservoirs, farmers who had left sugarcane cultivation returned to cane planting. Asper field reports, farmers in Maharashtrahave already started planting 15-month and 18-month cane crops for cultivation in 2017-18, and quite aggressively at that. Farmers say that it is a reliable and sturdy crop. They can selldirectly to mills, effectively getting 100% remuneration, but other crops pass through middlemen, giving them only a fraction of what consumers pay.

As per the Maharashtra government, till October 24, sugarcane had already been sown in an area of 77,000 hectare for harvesting in 2017-18. State associations have said that cane area for 2017-18 may increase by more than 35-40%, leading to another bumper sugar production.

As regards Karnataka, since 2012-13, there has been deficient rainfall in the state, due to which its reservoirs did not fill up completely in 2015, water levels in major reservoirs like Almatti and Ghataprabha fell below 30% of their respective storage capacities. By March April 2016, these reservoirs had almost gone empty, and the state government discouraged formers from planting sugarcane in the districts watered by these reservoirs. After the good rainfall this year, water levels in these reservoirs have gone up and, at present, their live storage capacity are 100% and 67%, respectively.

While Ghataprabha and Malaprabha coverthe cane-belts of Belgaum district. Almatti covers the cane areas of Bagalkot district. These two districts account for more than 67% of cane area of the state. The accompany inggraphic depicts the water level in all major reservoirs of Karnataka (except Tungabadra and the Krishnaraja sagar, which feed Mandya and Mysore areas, accounting for 7% of state's sugarcane are). The cane area in the state for 2017-18, is also expected to go up by 25-30%.

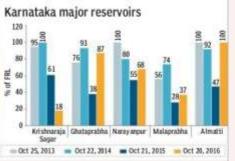
Even though sugarcane takes a longer time to grow and mature compared with other crops, the relative profits are 50% (or even more)higher. A detailed study on this by CACP and even the World Bank confirms the same.

Supply and demand in 2016-17 are expected to be balanced, with a healthy closing balance. The average all-India domestic, ex-mill price should remain stable at the current level of around 734-35/kg. Better realisation from sugarsales means mills will be in a position to pay came price to the farmers on time and there will be no heavy arrears in 2016-17. This will encourage farmers to plant more sugarcane for crushing in 2017-18, and to take good care of their cane crop, improving the health of the crop, thereby yields and recoveries.

Considering all these factors, cane area for harvesting in 2017-18 is expected to be higher, including yields and recoveries. India willonce again witnessa surplus, if not bumper, sugar production in 2017-18.

> The author is deputy head, sugar policy and statistics, ISMA





THE FINANCIAL EXPRESS Frt, 04 November 2016

THE FINANCIAL EXPRESS Sepaper financial express com/c/14380695

aper (financialexpress com/c/142000

