To The Editor,
Down to Earth Magazine,
Society for Environmental Communications
41, Tughlakabad Institutional Area
New Delhi - 110062, India

(Sub- Misrepresentation of facts regarding sugar industry)

Madam,

In the article titled “How corrupt nexus between sugar industry, governments affect farmers”, dated 21st May 2019, there seems to be deliberate misrepresentation and reporting of wrong facts about the sugar industry, on the part of the reporter and the magazine, to suit a pre-conceived narrative about the industry.

2. The reporter of this article took an appointment with us on 24th April 2019, to understand the sugar sector, for an article that he was working on. We met him at our office and had a thorough discussion about the industry and various issues faced by it. The discussions continued for more than 3 hours. The office gave him detailed information and all the relevant data about the sector and explained to him the working dynamics of the industry vis-à-vis cane farmers and policies of Central and State Governments. We informed him that Niti Aayog, the policy think-tank of the Government’s had set-up up a Task Force to look at long-term sustainability of sugarcane and sugar. ISMA had made a detailed PPT presentation to the Task Force, which talked about the issues faced by the sugar industry and discussed short-term as well as long-term solutions for the sector. This particular PPT was given to the reporter, for him to understand the industry and report accordingly. The article published by him have been discovered by him and none of the same is mention in the Presentation. Hence, it is shocking to us. In fact, the article doesn’t even carry a single information that we gave to the reporter, which we feel would have lent the article a balanced perspective about the sugar industry with accurate information and ground reality. We are attaching the Niti Aayog PPT along with this letter, for your better understanding.

3. We are writing this letter to you, hoping that in future there would be correct reporting of the sugar industry, which is vital to India’s economy and to millions of cane farmers who earn their livelihood. Few facts that we would like to highlight which were wrongly represented in this article are given below-

(a). In the article, the reporter says that “Farmers, who were encouraged by their political masters to farm sugarcane, are facing an existential crisis”. This is totally incorrect. The sugarcane crop has several advantages and benefits, which makes it lucrative to the farmer to sow more cane crop as compared to other crops. Sugarcane is an ‘all-weather’ sturdy crop, which has the ability to survive both flood and drought periods. The remunerations from sugarcane are far higher and unmatched vis-a-vis other cultivated crops in India, hence farmers prefer to sow more sugarcane, even if their payments are delayed. As compared to other crops, sugarcane farmers have an assured buyer in the sugar mill. Under Government laws, sugar mills have to compulsorily buy all the cane which is grown in their area, and they cannot close their crushing operations till all the sugarcane in their area is crushed. Even if sugar mills are losing money and sugar prices have fallen or they don't have any storage capacity or are unable to sell the sugar, the law requires the sugar mills to crush each and every stick of sugarcane that is offered by the farmers to the sugar mill in that area. However, this is not the case with other crops, and there have been reports in the media that wheat, cotton, soya, rice etc. farmers have not often found any buyer for their produce even at the guaranteed (MSP) price fixed by the Government.

(b). The reporter writes that farmers are forced to sell cane at throwaway prices or simply throw it away or burn in on the streets as a mark of protest. This is not at all correct. As you are aware, the Commission of Agricultural Crops and Pricing (CACP), recommends the procurement price of 23 agricultural and horticultural crop, including for sugarcane, every year. Based on the recommendation of CACP, Government fixes FRP, which is the bench-mark national cane price. In top of that, few cane producing States fix a premium to FRP, which is called SAP or State Advised Price. The sugar mills are bound to pay the price as fixed by the Central Government or State Governments to the farmers, as the case may be. They cannot pay below the price fixed by the Government, as per the law. In fact in the last 8 years, the FRP has almost doubled. In 2010-11 sugar season, the cane FRP was at Rs.139.22 per quintal, whereas in the current sugar season i.e. 2018-19, the cane FRP is at Rs.275.00 per quintal. Sugarcane is paying farmers 60-70% more than the competing crops, like paddy, wheat, soya bean and cotton. Moreover, the cane farmers get the full price fixed by the Government and State Governments as FRP and SAP. All the payments made to the cane farmers by the sugar mills are through the banks. There are no middle-men between the farmers and the sugar mills. Therefore, the farmer comfortably gets the cane price that is fixed and promised by the Government.

(c). The reporter mentions that, "Ironically, India imports sugar even though the country is producing surplus sugar." It may be informed here that the Government in early months of 2018, doubled the import duty on sugar from 50% to 100%, at the behest of the sugar industry. This was done to avoid unnecessary sugar import which could have lowered domestic sugar prices further. The sugar imports in 2017-18 and 2018-19 of 2.5 million tons and 0.86 million tons, as mentioned in the story, was done under AAS (Advanced Authorisation Scheme). This doesn't affect the domestic markets, as the sugar refiners who import the raw sugar under AAS, refine it and re-export the same sugar after processing within 6 months, as allowed by Government. The AAS is available for several commodities for re-export purposes and is not restricted for sugar alone. This point was explained to the reporter, but for reasons best known to him, he decided to ignore the same.

(d). The reporter has mentioned that in February the NDA Government sanctioned soft-loan of Rs.10540 crore. Please note that the Government had announced a soft loan of Rs.10540 crore, out of which only Rs.2500 crore have so far been disbursed by banks to the sugar mills (which in turn has gone to the cane farmers). This amount goes directly to the bank accounts of cane farmers, and not to the accounts of sugar mills, as is wrongly mentioned by the reporter. The loan is on the balance-sheet of sugar mills, but goes to the cane farmers directly. Moreover, the Government announces soft loans and other sops to ensure that farmers get cane price payments. Whenever the cane arrear goes up, the Government announces soft loans and sops to the industry to enable them to clear cane payments. There is no election angle to it.

(e). The reporter has mentioned that “Earlier, in June 2018, in wake of unprecedented sugar production, the government announced a package of Rs.8,500 crore for the sugar industry, which included Rs.4,440 crore in soft loans to mills to create ethanol production capacity. It also provided a cash assistance of Rs.138.8 per ton to mills, which cost Rs.4,100 crore to the exchequer”. Kindly note that the amount of Rs.138.8 per ton has not yet been disbursed to the sugar mills, and also that this assistance will go directly into the bank accounts of farmers and not sugar mills. As regards to loans for ethanol projects, it may be stated that the sugar mills utilize the loans only to set up or expand their ethanol production capacities, so that they can supply more ethanol to Oil Marketing Companies (OMCs), and meet national target of 10% ethanol blending with petrol. This would reduce net oil import bill of the country and also help improve air quality. It will also help in diverting surplus sugarcane grown by our farmers, to ethanol instead of making more surplus sugar, which the country doesn’t require. This ethanol programme is more for national interest and not for any “ethanol lobby”, as the reporter seems to suggest.

3. The Indian sugar industry is the biggest generator of employment in rural India. The domestic sugar industry supports nearly 50 million cane farmers and their families, and provides direct livelihood and employment to them. Many of the rural families thriving in the six lakh villages of India are dependent on the sugar industry and long-term viability of the industry is key to them. Sugar industry pays about Rs.1 lakh crore to the farmers as cane price payments, which contribute for about 85-90% of industry’s cost of production of sugar. There are about 530 operating sugar mills in the country, out of which 201 are in cooperative sector and 329 are in private sector. In the last two sugar seasons-2017-18 & 2018-19, the Indian sugar industry has emerged as the leading producer of sugar in the world, piping Brazil from the top-most sugar producer’s position.

4. We hope that these facts that we highlighted on the domestic sugar industry would be taken forward by your esteemed magazine in the future. Our office is available all the time for your queries and information. We hope that the magazine carries a corrigendum in the next issue, regarding the wrong facts it reported about the sugar industry, in the above mentioned article.

Thanking you,

Yours’ faithfully

Sanjay Banerjee

Director (Media & Communications)
ISMA