Since Brazilian sugar is cheaper, farmers fear this may lead to the sweetener being imported to India

Falling crude prices ring alarm bells for cane growers

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The falling price of crude oil is worrying sugarcane farmers in the state, who are already reeling under drought. They fear this may lead to cheaper Brazilian sugar being imported, making their life more miserable.

With fall in crude prices, Brazil, the largest sugar and ethanol producer in the world, is producing more sugar than ethanol, a fuel produced from sugarcane, which is now costlier than crude oil. This, Indian farmers feel, would adversely affect sugar export.

Samit Kadam, a farmer from Sangli, told **dna**: "This may eventually lead to import of Brazilian sugar. With sugar prices dropping drastically due to surplus production, mill owners are offering farmers only Rs1,700-1,900 per tonne of cane as against fair remuneration price (FRP) of Rs2,200."

FRP is the minimum guaranteed price for 9.5% sugar recovery rate which is linked to basic sugar recovery rate, and is fixed by the Centre after taking into account the margin for sugarcane farmers (based on cost of production and transportation). It doesn't take sugar price into account.

Kadam, youth wing president of Jan Surajya Shakti (party) in Sangli, said: "Sugarcane is perishable. Hence farmers sell it in order to clear their bills (electricity, fertilizer, etc). Centre must take emergency measures."

Ajit Jhalke, a senior journalist who specialises in agricultural issues, said: "While farmers are suffering, influential sugar mill owners resist hiking cane price as that would raise their input costs. This issue is affecting farmers across India, and the Centre's urgent attention is needed."

Fair Remuneration Price

FRP is linked to basic sugar recovery rate of 9.5%, subject to a premium of Rs1.46 for every 0.1 percentage point increase in recovery above 9.5 per cent. Recovery rate is the quantity of sugar produced from crushed cane.

Indian Sugar Mills Association (ISMA) blames it on falling sugar prices, excess production and banks tightening lending, forcing millers to sell at cheaper rates for generating cash-flow. "With sugar prices on a slide, it is not possible to pay FRP," said an ISMA official. The rate of sugar in international market is Rs22,000 per tonne and in India it's about Rs24,500.

This year in the country, sugar production touched 255 lakh tonne, a 15 lakh increase from last year; the demand is around 240 lakh tonnes. There is a stock of 60 lakh tonne, which means an aggregate surplus of 75 lakh tonne.

Vinay Kore, president, Warna sugar mills, said: "Government must make sure sugar is not imported. Hike import duty from 25% to 40%, and there should be subsidy for exporting raw sugar. Two years' buffer stock for PDS, and incentive to set up ethanol plants can help save the industry."

Union food secretary Sudhir Kumar could not be contacted.