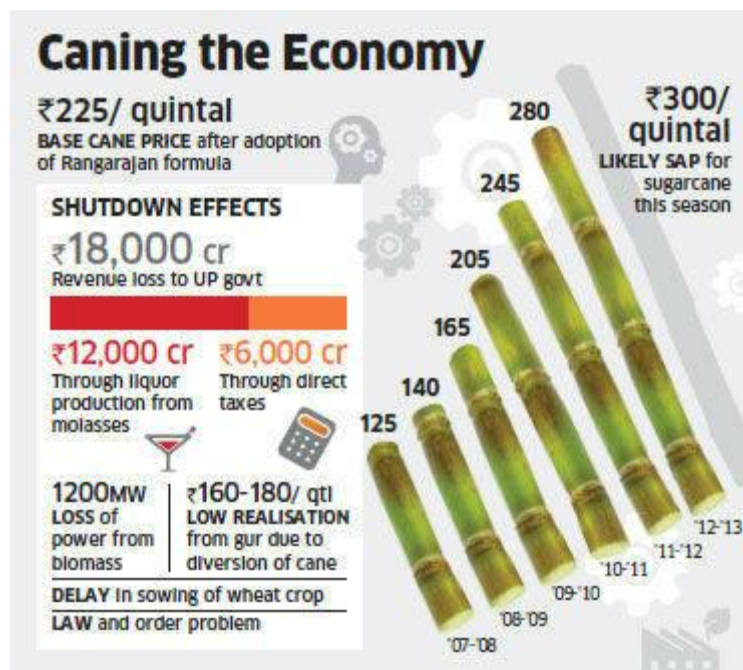


NEW DELHI/LUCKNOW: The fate of Uttar Pradesh's Rs 35,000-crore sugar industry, which is the sole and largest agriculture-based industry, hinges on one decision - the price of sugarcane. After rumours have been rife about no crushing season in the state, UP sugar mills have officially declared that the sugar industry of the state would stand non-operative till the Rangarajan formula is adopted to fix the cane price.

The industry has also threatened that no further investments would be made in the sugar sector. In fact, sugar mills have posted notices on their units telling the farmers that they should look for alternatives to sell their cane crop as mills won't be able to buy this sugar season.

"It may kindly be appreciated that in case a viable and affordable sugarcane price is not declared by the government at the earliest in accordance with the paying capacity of the sugar mill(s) linked with the average sales realisation in accordance with the Rangarajan formula, we are not in a position...to commence the crushing operation of the sugar mills as being contemplated/directed and shall be constrained to proceed for suspension of operations of the units for the reason beyond our control as we cannot continue to bear and suffer the losses and operate the mills under financial crunch," said the letter written by Indian Sugar Mills Association (ISMA) to the cane commissioner and chief minister, UP, reviewed by ET.



Though the chief minister is likely to send the state-advised price of cane to the Cabinet on November 25, things have already turned sour for the sugar industry and cane farmers.

Typically, governments in UP have favoured farmers when it comes to deciding the cane price, with the intention of garnering their votes. Also, given the steep increases that previous chief minister Mayawati had implemented in cane price (SAP), Akhilesh Yadav would feel constrained to do so. State authorities indicated that cane price this season also would depend largely on the escalation in the input cost for farmers over the years. "Cost of

agri-inputs, fertilisers and fuel has shot up substantially and farmers need to be compensated for it," said Rahul Bhatnagar, UP principal secretary, sugar industry and cane development.

Requesting anonymity, a senior official at the cane development department, UP told ET the cane price is likely to go beyond Rs 300 per quintal this year. Adopting the Rangarajan formula would mean a base cane price of Rs 225 per quintal, with prices comparable to sugar and its by-products -- ethanol, industrial alcohol, molasses and bagasse. The tiff is playing havoc for the industry and farmers alike. "At the current price of cane, soon there would be no buyers for UP's sugarcane. Farmers would either succumb to sell their cane to gur manufacturers at almost half the price or let their crop perish," said Abinash Verma, director general, Indian Sugar Mills Association.

Meanwhile, the government refuses to budge. "We have been telling the industry that the state government can never lower the cane price over the past year," said Bhatnagar. He also ruled out any possibility of such consideration this year during the cane price fixing procedure and state government extending any subsidy to millers for paying off the cane arrears. With no new orders in hand, farmers haven't started harvesting the cane. Agitation, arrests and sealing of sugar godowns are already happening in areas in and around sugar mills. Farmers' groups of the state have quoted cane price as high as Rs 372 per quintal.

"Based on Rangarajan's recommendation and an increase of input cost of farmers and profit margin of about 20% each, the cane price for the upcoming season comes to Rs 372/quintal," said Prof Sudhir Panwar, President of Kisan Jagrati Manch. However, for state authorities, the situation still isn't as grim as hyped up by the mills. "This is a pure economic phenomenon. Sugar price is a cyclical problem. Just because this year the price is low, we cannot incur permanent damage over the farmers in terms of low cane prices. Prices will correct in future and so would the condition of the state's sugar industry," said Bhatnagar.