



# SUGAR DADDY

The politics behind Centre's ₹4,050 crore sugar package: the largest sugarcane-growing states, Uttar Pradesh and Maharashtra, also account for 128 Lok Sabha seats and will be crucial for BJP in 2019

By G Seetharaman | Mumbai  
 Shantanu Nandan Sharma | Meerut/Kairana

**T**here is no crop that is as closely associated with the politics of a state, or at least parts of it, as sugarcane in Uttar Pradesh and Maharashtra. No wonder the Narendra Modi government recently announced sops for the sugar industry days after his party, Bharatiya Janata Party, was defeated by a united opposition in the by-election in the Kairana Lok Sabha constituency in the sugar belt of western UP.

While the sugar industry has been dealing with record production levels and a fall in prices, with farmers being owed ₹22,000 crore by sugar mills, the timing of the relief package has political overtones. Uttar Pradesh and Maharashtra, the country's largest sugarcane-growing states, are also the largest states by Lok Sabha seats, accounting for 128 seats between them out of the total 543.

Modi and BJP president Amit Shah need these states to deliver for the party to retain power in 2019 – and the government's largesse to the sugar industry is a small step in that direction. Both these states are also ruled by the BJP (in alliance with the Shiv Sena in Maharashtra).

One of the reasons for the jump in sugarcane production in UP is a new variety of the crop. Mukesh Kumar, a 35-year-old farmer in Bhola village in Meerut in western UP, has begun to shift to the new variety, called Co 0238. He acknowledges he is late. Most cane farmers in Meerut, Muzaffarnagar and Kairana in the region have already experimented with this variety. Co 0238, he says, is superior, giving higher yields and bigger returns. Locals call Co 0238 "Arthis", which is 38 in Hindi.



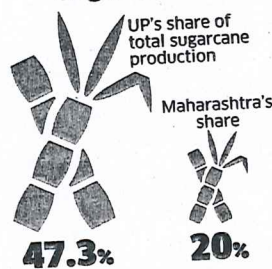
**Global sugar prices have slid around 30% since February 2017**

## UP and Maharashtra Produce Similar Amounts of Sugar

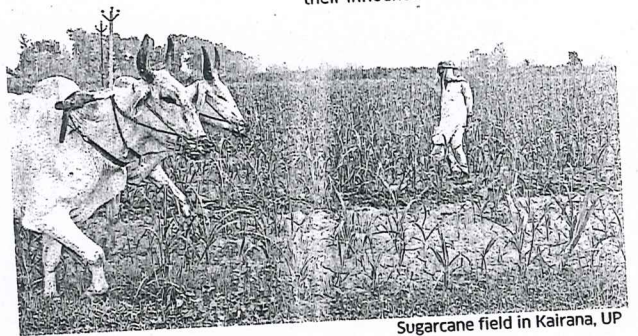


Source: Indian Sugar Mills Association  
 \*October-September period  
 \*\*till April 30, when all-India production was 31 mt

## UP Grows Nearly Half the Country's Sugarcane



Source: Ministry of Agriculture  
 Note: UP uses its sugarcane to also make jaggery and unrefined raw sugar



Sugarcane field in Kairana, UP

In the sugar belt of Uttar Pradesh – the state contributes almost half of India's total sugarcane and 36% of sugar production – "recovery rate" is a common parlance. It means the percentage of

sugar extracted from sugarcane. "Most of us have been using Co 0238 for the last two years," says Muhammad Haleel, a resident of Kairana, "(and) the recovery rate of Arthis is very good." One sugar mill in Sitapur district of the state recorded the highest sugar recovery at 12.1% in 2015-16, something that propelled most farmers to abandon traditional varieties and embrace the new one.

Over 100 kilometres away, at Delhi's Krishi Bhavan, SK Pattanayak, Union secretary of the Department of Agriculture, Co-operation and Farmers Welfare, is cautiously optimistic as he praises this sugarcane variety. "The rapid expan-

## SUGAR AND POLLS

The ₹4,050 crore relief package followed the BJP's loss in the by-poll to the Kairana Lok Sabha seat in western Uttar Pradesh, the state's sugar belt

According to some estimates, sugarcane farmers play a role in 25-30 Lok Sabha seats in UP (out of 80) and in 10-15 seats in Maharashtra (out of 48)

Maharashtra's sugar cooperatives, mostly found in the western part of the state and Marathwada, were traditionally controlled by Congress, and now by Sharad Pawar's NCP and, to a lesser extent, by Congress

In the 2014 general and assembly elections, BJP made inroads into western Maharashtra and Marathwada, leading many to question the loyalty of sugarcane farmers to their political leaders

The mismanagement and financial distress of cooperative factories have somewhat whittled their influence in Maharashtra

sion of the geographical area under sugarcane cultivation is attributed to Co 0238. This variety has become very popular in Uttar Pradesh in particular," he says. About 60% of sugarcane cultivation in Uttar Pradesh, Punjab,

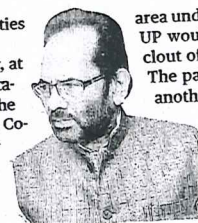
Haryana, Uttarakhand and Bihar is of this variety, prompting over-production and the resultant drop in sugar prices.

So, is the success of Co 0238 a story of crop science alone? Not really. Its political implications could be humongous. After all, the expansion of the total

area under sugarcane cultivation in UP would also mean the growing clout of cane farmers in the state. The party won 71 (its ally bagged another two) out of the state's 80 seats in the 2014 general election, helping it to manage a simple majority on its own. The politics of cane

**"Our loss in Kairana by-poll has nothing to do with ganna. Here, all the opposition parties got united and a transfer of votes took place. We will have a new strategy for 2019"**

Mukhtar Abbas Naqvi, minority affairs minister and BJP leader from UP



## CANE MATH

A farmer from Uttar Pradesh's Meerut district does a simple arithmetic to demonstrate how the dues from sugarcane mills are hitting him hard

**Mukesh Kumar, 35, Bhola village**



Land under sugarcane

**10 bighas**

Production

**700 quintals**

(about 70 quintals cane per bigha)

Estimated earnings

**₹ 2.2 lakh**

(at the rate of ₹320 per quintal) in 2017-18

Cost

**₹ 1.25-1.5 lakh**

Money received from factories so far

**₹ 65,000**

**70% of the amount is still due**

matters as sugarcane farmers have an impact in 25-30 seats. The state's sugar belt spans across districts such as Baghpat, Balrampur, Bijnor, Meerut, Muzaffarnagar, Saharanpur, Shamli and Sitapur.

### Politics of Sugar

Earlier this week, *ET Magazine* travelled through the sugarcane belt of Meerut, Muzaffarnagar, Baghpat and Kairana to understand farmers' demands, the complex relationship between factories and farmers, the possible

impact of the Centre's recent sugarcane relief package and the politics of sugar.

Just last month, the candidate of the Rashtriya Lok Dal (RLD), Tabassum Hasan, supported by the opposition parties, won in Kairana, previously held by BJP, prompting RLD to coin a slogan, "Jinnah hara, ganna jeta" (Jinnah loses, sugarcane wins), apparently referring to the politics around some right-wing organisations' outrage over the portrait of Pakistan's founder Mohammad Ali Jinnah in Aligarh Muslim University.

RLD's vice-president Jayant Chaudhary argues that sugarcane farmers were solidly behind its candidate. "The Centre's sugarcane relief package is much ado about nothing. It's a mere attempt to manage optics in the aftermath of the Kairana results and our party's slogan on ganna," he says. "Sugarcane farmers have to constantly stay vigilant. They have to stay organised and create pressure."

Union minister and BJP leader from UP, Mukhtar Abbas Naqvi, brushes aside the theory that sugarcane farmers as a whole went against the party in the by-election. "Our loss in the Kairana by-poll has nothing to do with ganna. Here, the opposition parties got united and a transfer of votes took place. We will have a new strategy for 2019."

The Union government in March waived 20% customs duty on sugar to allow exports of 2 mt (million tonne) of sugar in 2017-18 to clear some surplus stock before the next season. But the industry is demanding the limit be raised to 8 mt.

The government in May provided farmers a production subsidy of ₹5.5 per 100 kg of sugarcane, totalling ₹1,540 crore, helping millers

clear some of their dues. Last week, it announced what it called a ₹7,000 crore package to create a 3 mt buffer stock of sugar for a year, setting a minimum price of ₹29 per kg for white sugar at mills. The government also said it would provide interest relief of ₹1,332 crore on loans to sugar mills for ethanol production. The Union government sets a minimum price every year that mills have to pay sugarcane farmers and some states fix prices higher than that.

While it seems the government has announced a total relief package worth over ₹8,500 crore, Prakash P Nainavare, managing director of the National Federation of Cooperative Sugar Factories (NFCSF), says the sops do not add up to more than ₹4,050 crore. Sanjay Khatal, MD of Maharashtra State Cooperative Sugar Factories Federation, says sugar mills expected a price of ₹32/kg for sugar this season, but it dropped to ₹24. "If we got a minimum price of ₹3,200 (per quintal) there would have been no need of a package."

Of the country's 524 sugar mills, 187 are in Maharashtra and 119 in UP. While a majority of the units in the former are cooperative factories, UP has more private mills. The dominance of cooperative sugar factories in Maharashtra, which uses a different variety of sugarcane than Co 0238, is hardly surprising given their history and inextricable ties to politics.

Vithalrao Vikhe Patil set up the country's first cooperative sugar factory in the state's Ahmednagar district in 1951. Three years later, the government announced plans for 12 more and over time they came to be integral to the rural economy of western



**"Earlier, cooperative factories mattered in elections, but not now, because this generation is not dependent on agriculture. They have more options"**

Dilip Walse Patil, NCP leader

Maharashtra and then Marathwada, where the Maratha community dominates the sugar industry.

Since each cooperative factory has a network of sugarcane farmers as members, controlling it meant access to a captive vote bank and elections to the boards of these units were — and are still — fiercely contested. Subhash Deshmukh, cooperatives minister in the BJP-led government in Maharashtra, says till the mid-1990s, each sugar factory had its territory of farms marked out and no sugar factory from out-

side that area could source sugarcane from farmers there. "So people were scared that if they didn't vote for the candidate (in general and state elections) who controls the sugar factory, their cane would not be taken."

Many state politicians, including former chief ministers, are or have been chairmen or board members of sugar cooperatives, which were controlled by the Congress, helped in no small measure by Sharad Pawar, whose hometown Baramati in Pune district is in western Maharashtra. After Pawar broke away from the Congress to form the Nationalist Congress Party (NCP) in the late 1990s, he took most of the cooperatives with him. Now, NCP controls two-thirds of the co-operatives, Congress a fifth, and BJP and Shiv Sena the rest.

NCP's Dilip Walse Patil, a former speaker of the state assembly, says sugar cooperatives owed their influence to their contribution to the region by building schools and helping install water-effi-

## Maharashtra Netas with Sugar Connections



Ajit Pawar, NCP, Baramati (Pune district)



Jayant Patil, NCP, Sangli



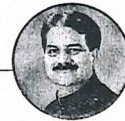
Dilip Walse Patil, NCP, Ambegaon (Pune district)



Babanrao Shinde, NCP, Solapur



Vijaysinh Mohite Patil, NCP, Solapur



Harshwardhan Patil, Congress, Indapur (Pune district)



Ashok Chavan, Congress, Nanded



Amit Deshmukh, Congress, Latur



Pankaja Munde, BJP, Beed



Subhash Deshmukh, BJP, Solapur

Note: These politicians have or had links to cooperative or private sugar factories. The places mentioned are the districts they hail from or their constituencies where the factories usually are

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Jayant Chaudhary, VP, Rashtriya Lok Dal

