

# BittersweetGrowth

The demand by farmers to the mills will only add to the never-ending cycle of sugarcane arrears and problems

**A**CCORDING TO THE *Economic Times*, some sugar mills in south Maharashtra have decided not to begin sugarcane crushing as farmers have demanded more money for this season's crop, beyond the fixed remunerative prices (FRPs). The Swabhimani Shetkari Sangathana, a farmers' association, has announced that it will not let the mills operate until they agree to pay ₹200 per tonne over and above the FRP of sugarcane. Irrespective of whether the deadlock gets resolved, this becomes another instance of sugar farmers demanding a further increase in the FRP promised to them and fixed by respective state governments. The FRPs are not market-based and are priced at artificially inflated levels by governments. This, in turn, puts pressure on the sugar mills who have to purchase the crop from the farmers at these inflated FRPs.

And while the government has raised ethanol prices dramatically to help sugar mills find an alternative source of demand to pay for the excessively priced sugarcane, once oil prices fall to reasonable levels, oil PSUs won't be able to afford the ethanol. Also, India's government-mandated cane prices are already 70-80% higher than those of Brazil, the world's largest supplier—while this means India cannot export sugar, nothing has been done to signal to farmers that they need to move away from sugarcane production (as portrayed by them continuously increasing the FRPs). Further, this demand by specific farmers for the extra payment of ₹200 over and above the FRP will also burden the mills even more. In Maharashtra, sugarcane is grown on 4% of the land but uses two-thirds of the water. What is needed is an efficient crop growth pattern, one that ties the crop to be grown with the amount of water it requires in an area whose water resources can sustainably support such water usage. Only such a policy will result in the mills and farmers emerging happy out of this endless cycle of price and arrear increases.