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● OUT OF JUICE

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UP sugar needs more than just sweet talk

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even sugar companies have turned the corner. A testimony to the fact that the industry realises its duty towards the farmer and does not hold back any payments unless they are absolutely compelled to.

As much as it is true that the sugar sector is nowhere without the undying support and encouragement from the farmers, the truth is that the sugarcane crop would not be a cash crop if it weren't for the sugar industry. There is absolutely no other remunerative use that the crop can be put to without the sugar companies. In this symbiotic relationship, where both the farmers and millers realise how important they are to each other, they also realise that each others health and prosperity is what is crucial in making this a long-standing and fruitful relation. It's a reality that though every successive state administration in the last 10-15 years may have realised, but, none has had the spine to accept or even acknowledge.

The new administration in Uttar Pradesh has its task cut out, and it's not going to be an easy one. To protect your image as a messiah for the farmers and to make sure you don't seem pro-industry in a sector that can only prosper if the industry prospers is a tightrope walk. Very few administrations have been able to do this successfully.

Then again, if an administration with a thumping verdict like this one cannot do it, no one can. Thus far, the pushes by CM Yogi Adityanath to the faltering corporate houses to clear their pending dues, and the restraint showed by the administration from posing itself as anti-industry has been heartening, to say the least. One hopes that it will help the sugar industry move from being the disadvantaged and ignored stakeholders in Uttar Pradesh, to at least the ones that are allowed to sit on the same table and have a voice. While it is imperative to penalise those that have actively diverted funds and wilfully defaulted on cane dues to the farmers, the truth remains that they are a minority and the industry at large cannot suffer for that.

There is no magic wand to set things

right, and if sustainable progress has to be made then the changes have to be instituted at the fundamental level. Rationalisation of cane price, regular payment of power dues and enforcing of existing ethanol blending norms are fundamental to allow this highly regulated sector to stand on its own feet.

Formula-based cane pricing is a complex issue and the industry has been pressing for its implementation ever since the Rangarajan report. UP is now one of the few states in the country which still pays its farmers an SAP instead of an FRP for the cane supplied. We pay a fixed price irrespective of the recovery the cane gives or the prevailing prices of sugar at the time, while other state mills pay a price that is formula-driven. Those with higher recoveries pay more for the sugarcane they buy and those that are supplied with poor quality cane pay less (given a minimum base price). The implementation of this formula based payment is not actually anti-farmer at all. With the entire country striving towards higher efficiencies and the PM emphasising the need for more crop per drop, it is perhaps only logical that the government must take it upon itself to motivate the farmers to grow better varieties of cane and use better farming practises so that they can get paid better for their produce. If farmers are constantly assured the same price, what would motivate them to strive for better?

Ratoon cropping in sugarcane allows a farmer to take a minimum of two and sometimes even three harvests of the crop once they have planted it. The cost of maintaining and harvesting a ratoon crop is a lot lower and so one can conclude that the payment they receive for that second harvest is almost entirely a bonus earning. The truth is, farmers planting sugarcane are nowhere underpaid and nor is their crop undervalued. The farmer of the fertile Gangetic plain would have gravitated to other crops if they did not find sugarcane viable, the fact that slowly and surely sugarcane farming in UP has seen a steady rise even despite successive years of cane arrears is that the crop is entirely viable. Politics and vote banks may force parties to take different stands, but the ground reality is that irrational pricing was the sole reason that the industry was thrown into a whirlwind and unless something is done to change that fundamentally, it will not be unreal to expect another meltdown—this time, though, recovery for corporate houses will be impossible.

UP mills have already overpaid for the sugarcane they have bought for years on end while their contemporaries in Maharashtra and other states have drawn higher recoveries and paid less. Saddled with irrational cane costs, expensive working capital and huge long-term loans, UP mills have also had to deal with grossly delayed power revenues from the state—all of which has made the functioning, and even surviving for some, entirely impossible. Whichever way you look at it, farmers will only truly benefit if they have large scaled financially-stable buyers for their produce.

Where it is not the government's job to run an industry or be responsible for its smooth functioning, it is surely up to the administration to ensure that business in the region is purely driven by the rules of economics and not politics!

UTTAR PRADESH SEEMS to be a classic example to showcase how political warring can bring even the most established businesses to their knees! Sugar companies in Uttar Pradesh that had been bringing prosperity to their shareholders and farmers alike for decades were turned to being defaulters in a few quick years. This turn for the worse of the industry rocked the economics of an

already faltering state and pushed it back by more than a decade.

The irony is that instead of striving to make the poor rich, all the last decade or more has done is made the prosperous almost bankrupt. If it's about equality—yes, that was achieved. Last year, however, has given a lot of hope to industry and farmers alike. The previous season has seen farmers get regular payments from sugar companies (barring a few corporate houses) and

