

## UP's sugar woes continue

State has to decide on cane pricing for FY16

While most newspapers, including this one, have reported a rapprochement between the warring sugar mills of Uttar Pradesh and the government, in reality the road ahead is a long one. With the Uttar Pradesh government agreeing to pay part of what it had promised last year, the millers have agreed to start repair and maintenance work at their factories, preparatory to the crushing season next month. If in the next month, however, the state government doesn't agree to fix a more reasonable state advised price (SAP) for sugarcane—this means it has to stop playing its sugar politics—the problem will flare up again and mills will refuse to crush sugar ... the government will respond, as it has in the past, with a rash of non-bailable warrants against mill owners. Last year, the government tried to bridge the gap between the ₹230 per quintal or thereabouts that the industry said it could bear and the SAP of ₹280; various promises were made, including a concession of ₹20 in terms of entry taxes, purchase taxes and the like.

Since no real change took place despite all the negotiations in the last sugar season, the mills are adamant that the state accept the Rangarajan formula, adopted in states like Maharashtra and Karnataka, that mills pay the farmers 75% of the revenue realised from the cane they process; pay the Centre's recommended fair and remunerative price (FRP) on receiving the cane and then the balance after the mills receive payments for the sugar and by-products from cane. This is a sensible policy and is perhaps the only way the industry will survive, so what is not clear is why the state government is not willing to accept it. Given how cane farmers lose out when their crop is not taken by the mills on time, or when their dues are not paid for several months, more pragmatic sugar pricing is in everyone's interests. More so since the alternative is to sell more sugarcane to the *gur* producers who pay the farmers much less. The sugar mills have done well to take a tough stance this time around.

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