Bloomberg TV INDIA
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ABINASH VERMA/INDIAN SUGAR MILLS ASSOCIATION

There is already a delay in sugar production across the country

By Harsha Subramaniam & Shail Damania

India's sugar industry is nearing a crisis with sugar mills in key producing states yet to begin crushing, while Centre considers their demands. Abinash Verma, director general of Indian Sugar Mills Association, or ISMA, in an interview explains the situation. Edited excerpts:

It has been a mess really over the past few days. What did you make of the meeting earlier this week? From what we understand, there seems to be some talk of a change in loans against excise duty. Is that workable?

I don't think the meeting earlier this week was really to take a decision on the benefits or the assistance to be given to the sugar industry. ISMA has been requesting the Government of India to assist the sugar industry to reduce the extra sugar that we have with us. Either, they help us with exporting the sugar into the international market; it's an unviable market for us because our cost of production is very high.

Second, they could help us by creating some kind of a buffer stock. And third, we have requested that the interest-free loan which was given in 2006-2008, a similar kind of loan could be given and the interest burden could be borne by the central government. I believe that the central government is examining all these proposals along with some other proposals and they would be considering our proposal in next 10-15 days.

INTERVIEW

Is this problem only restricted to Uttar Pradesh (UP)? Are mills in other states like Maharashtra are also facing similar problems or have they started crushing?

No, this is an all-India problem; it is not typical of Uttar Pradesh. The difference between Uttar Pradesh, Maharashtra, Karnataka and others is that the Uttar Pradesh government fixes a state-advised price and the recovery rate in Uttar Pradesh is the lowest in the country. But in Maharashtra, a similar kind of agitation is on. There the government doesn't interfere, but the farmers are asking for a very high price of sugarcane and since sugar prices have fallen in the last year by almost ₹7-8 per kilo, the industry in Maharashtra is also unable to afford last year's price.

Similarly, in the northern part of Karnataka there is a similar crisis. The state government is trying to force them to kind of accept a very high price of almost about ₹300 per quintal (1 quintal is 100kg) of sugarcane delivered at the factory gate. That is also totally unaffordable. Therefore, the crisis of the sugar industry, of not starting crushing, is probably all over the country. And these are the three largest sugar producing states — Uttar Pradesh, Maharashtra and Karnataka, who contribute almost 80% of the country's sugar. So, there is a crisis in all these three states.

Sugar solution: *Verma says exports, interest-free loans and buffer stock can help clear the mess the sugar industry is in right now.*

What is it that the sugar industry wants? What is ISMA recommending to the government? What are your three recommendations?

We recommend: (a) Rationalize the sugarcane pricing policy of the whole country; (b) Link the sugarcane price to sugar price realization; (c) Get politics out of sugarcane pricing; and (d) Let economic considerations determine sugarcane pricing.

By when do you expect this to be resolved and mills to start crushing again?

UP generally starts crushing in the middle or by 20 November every year, so they should have started by now, western UP at least. Then after 4-5 days the central and after that the eastern part of UP.

Moving on to Maharashtra, last year the southern part of Maharashtra, which is the sugar bowl of Maharashtra, would have started by the 10th or 12th of November; they have still not started. I don't think more than one or two sugar mills in Sangli, Satara and Kolhapur have started, so they are already late by 10 days.

Similarly, the northern part of Karnataka is already delayed. So there is a delay in sugar production already across the country.

If crushing does not start soon and delay intensifies, as you are alluding to, what is the kind of stockpile that we have? What kind of inventory piles are we talking about?

First of all, let me tell you that we opened the new sugar season and we had an opening balance of 88.5 lakh tonne (8.85 million tonnes, or mt) as on 1 October. The normative opening balance that the government would like us to carry every year is about three months of consumption requirement. Three months of consumption requirement works out to around 58 lakh tonnes (5.8 mt).

Therefore, as on 1 October, we had about 30 lakh tonnes (3 mt) of surplus sugar in our hands, which is blocking almost about ₹9,000-10,000 crore of liquidity. Cashflows are blocked there.

I understand the supply or rather the oversupply in the market. I also understand that this glut is global in nature. But is it necessary for sugar companies to start crushing? Doesn't that in a sense delay sugar production?

First of all, I don't think sugarcane would get harvested unless and until there is an order from the sugar mill or a request from the sugar mill to the farmers to harvest the sugarcane. So, from the time the sugarcane is harvested, it has to be crushed within the same day or within 24 hours to save whatever sucrose is there. But I think you are basically asking what happens if there is a delay in harvesting of the sugarcane and if the crop is left in the field for a longer period of time than it is normally done.

In UP, the general maximum time that the sugarcane is in the field is about 8.5-9 months and therefore the sucrose content and the productivity of the sugarcane is on the lower side, say, as compared to Maharashtra or Karnataka where the age of the crop is longer.

So if the sugarcane is left in the field for more time, I believe that the productivity of sugarcane per hectare of land will be more and the sucrose content will only go up. Therefore, the recovery I believe from Maharashtra or Karnataka or Uttar Pradesh will be better if they start the crushing in the next 15 days.

However, if the crushing gets delayed beyond December, I don't think the farmers are going to wait. They are going to sell their sugarcane elsewhere or they are going to burn it down in the fields and sow another crop.

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