



# STATSGURU: Why did the country's sugarcane story turn sour?

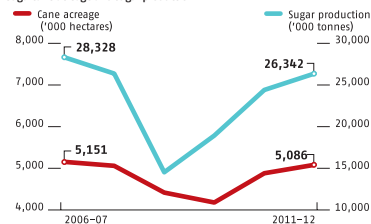
THE SUGAR mill industry has long complained about the impact of politics on its sustainability. This is in spite of the fact that, after a hiccup a few years ago, it seems to be doing well enough in terms of production and of acreage under sugarcane, as Table 1 suggests. However, mills point out that the baseline price the Centre recommends mills pay farmers for sugarcane has increased sharply in the past 10 years, as Table 2 shows. Worse, from their point of view, in recent years, some states have sharply increased their own

"state-advised" prices for sugarcane, as Table 3 shows. This has clearly stressed mills, particularly in Uttar Pradesh. It is true that the Centre's price is a less significant proportion of the ex-mill price in UP than in, say, Maharashtra, as Table 4 shows. But the proof of the pudding is in the eating, and listed sugar-mill firms have seen a precipitous decline in after-tax profit margins, as Table 5 shows; and are increasingly unable to pay the farmers they are buying sugarcane from, as Table 6 shows. The future of the sector is, thus, uncertain. Major imbalances remain,

especially geographically. As Table 4 shows, there are significant differences in recovery rates – the proportion of sugar refinable from a certain weight of cane. More importantly, there are vast differences in the yield of different sugarcane-growing areas, as Table 7 shows, depending on their climate. Unsurprisingly, as Table 8 reveals, there is considerable inter-state variation in the cost of production. And, there is much flux in where sugarcane is being planted – as Table 9 shows, states like Bihar and Karnataka have vastly increased acreage in the past few years.

## 1: INDUSTRY IS DOING WELL IN TERMS OF PRODUCTION

Sugarcane acreage and sugar production



## 2: BUT CANE PRICE HAS GONE UP

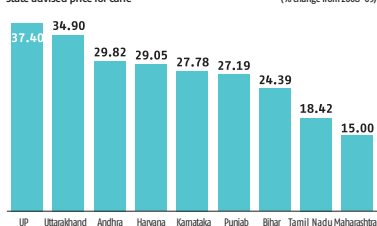
Statutory minimum price (SMP)/Fair and remunerative price (FRP) for the past 10 years (₹ per quintal)



## 3: SOME STATES HAVE RAISED CANE PRICES 'SHARPLY'

State advised price for cane

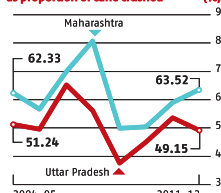
(% change from 2008-09)



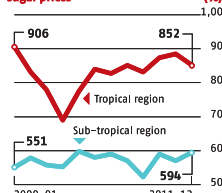
## 4: COMPARING UTTAR PRADESH WITH MAHARASHTRA

SMP/FRP as percentage of ex-mill sugar prices in Maharashtra and Uttar Pradesh

Recovery rate: Weight of sugar produced as proportion of cane crushed (%)

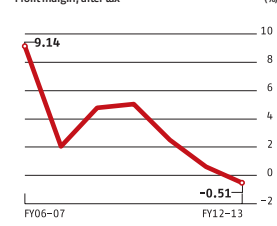


SMP/FRP as a proportion of ex-mill sugar prices (%)



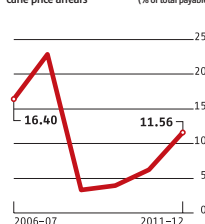
## 5: MILLS' PROFITS HAVE FALLEN...

Profit margin, after tax



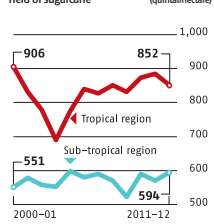
## 6: ...SO THEY'RE UNABLE TO PAY

Cane price arrears (% of total payable)



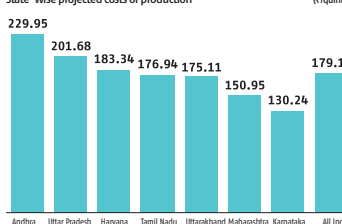
## 7: VAST DIFFERENCE IN YIELDS...

Yield of sugarcane (quintal/hectare)



## 8: ...SO THERE'S A DIFFERENCE IN PRODUCTION COSTS

State-wise projected costs of production (₹/quintal)



## 9: CONSIDERABLE FLUX IN WHERE CANE IS PLANTED

State-wise area coverage under sugarcane (% change from 2008-09 to 2012-13)

