

Sugar turns bitter for industry groaning under high cane price

75 of 99 private mills in Uttar Pradesh threaten to shut down

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Crisis is brewing in the Indian sugar industry with as many as 75 of the 99 private mills operating in Uttar Pradesh, including Bajaj Hindusthan, Balrampur Chini Mills and Dhampur Sugar, threatening to shut down operations. They have threatened to shut down in the wake of standoff with the state government over the high price of sugarcane announced by the administration.

The crisis is not only threatening the production of sugar in the current year, but could eventually have an effect on the prices of the sweetener in the market, especially in northern India, due to production getting stopped.

Industry representatives say 75 of the state's 99 private sugar mills filed notices for closure by the time state Cane Commissioner's office in Lucknow shut down for the day today.

There are a total of 122 sugar mills operating in Uttar Pradesh, of which 99 are privately owned and contribute to the majority of sugar production in northern India.

In doldrums

- The crisis could hit the prices of sugar in market, especially in northern India
- Uttar Pradesh accounts for almost a third of the country's total sugar production
- The state's sugar output stood at 6.97 MT and 7.47 MT in 2011-12 and 2012-13, respectively.
- The state's Rs 30,000-crore sugar sector is its largest organised industry and sugarcane farming supports the livelihood of more than four million farmers

Uttar Pradesh accounts for almost a third of the country's total sugar production. The state's sugar output stood at 6.97 million tonnes (MT) and 7.47 MT in 2011-12 and 2012-13, respectively. The state's Rs 30,000-crore sugar sector is its largest organised industry and sugarcane farming supports the livelihood of more than four million farmers.

What has hit the sugar mills hard is the high acquisition price set down by the Uttar Pradesh Government, which mill owners say they are not in a position to pay.

While the state government has announced a "State Advisory Price" (SAP) of Rs 280 per quintal to be paid to the farmers, the mill owners say they are not in a position to pay more than Rs 225 per quintal.

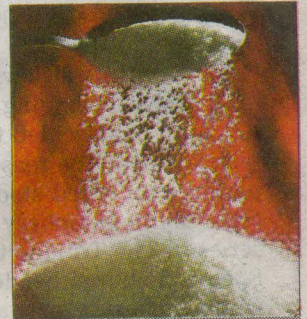
The mill owners have

repeatedly written to the state government as well as the Centre to bring the situation under control, but the same has not happened, forcing them to file notices for closure of operations.

They are also unhappy over the "action initiated and letters issued" by the Cane Commissioner for starting the mills, without considering the "extremely difficult situation and problems faced by sugar mills, and without their participation in the cane reservation process".

Banks, too, had declined to provide higher working capital loans to the sugar industry, aggravating private mills' problems.

The millers claimed cane allotment orders were being passed and uploaded on the official website without submission of cane reservation proposals by mills.



The private mills claim they have been incurring losses in successive crushing seasons due to higher prices of cane.

They claim the cane price at Rs 280 a quintal for the common variety was very high as they still owe more than Rs 2,300 crore to cane farmers for the 2012-13 season.

This year, the mills claim, the paying capacity has come down to Rs 225 a quintal and any price above that will lead to arrears and losses to the industry. They say the balance of the SAP can be paid by the state government directly to the farmer, as they were not in a position to pay.

Chief Minister Akhilesh Yadav had on November 11 directed the private mills to start crushing from November 20. He had asked officials to take action against defaulters.

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