



CHAPTER – 4

IMPACT OF DE-REGULATION ON SUGARCANE FARMERS

4.1 SUGARCANE PRICING POLICY

4.1.1 Sugarcane like sugar is an essential commodities under the Essential Commodities Act, 1955(hereinafter referred to as EC Act, 1955. In exercise of the powers conferred by Section 3 of the EC Act, 1955, the Central Government has issued the Sugarcane (Control) Order, 1966(hereinafter referred to as SCO, 1966) with a view, *inter alia*, to fix the cane prices to be received by the sugarcane farmers and to regulate distribution and movement of sugarcane.

4.1.2 Till sugarcane season 2008-09 (October to September, in tandem with the sugar year), the Central Government had been fixing the Statutory Minimum Price (SMP) of sugarcane for each sugar season on the basis of the recommendations of the Commission for Agricultural Costs and Priced (CACP) and after consulting the State Governments and associations of sugar industry and cane growers. The SMP took into account the factors - the cost of production of sugarcane; return to the growers from alternative crops and the general trend of prices of agricultural commodities; availability of sugar to consumers at a fair price; price at which sugar produced from sugarcane is sold by sugar producers; recovery of sugar from sugarcane; and the realization made from sale of by-products viz. molasses, bagasse and press mud or their imputed value. The Statutory Minimum Price (SMP) was being fixed by the Central Government under Clause 3(1). There was also provision for payment of additional cane price out of profits generated by sugar mills under Clause 5A of SCO, 1966.



4.1.3 In view of various court matters, the Government felt that the sugarcane pricing policy needed a review and accordingly the Essential Commodities Act, 1955 and the Sugarcane (Control) Order, 1966 were amended in 2009, as per which the Central Government now fixes a Fair and Remunerative Price (FRP) for sugarcane instead of Statutory Minimum Price (SMP). Unlike the system of payment under the SMP regime, where there was a provision of sharing of profits of sugar mills at 50:50 ratio with the farmers after the end of the sugar season, under the FRP system, the farmers are not required to wait for the end of the season or for any announcement of the profits by the sugar mills or the Government. The new system also assures the margins on account of profit and risk to farmers, irrespective of the fact whether the sugar mills generate profit or not and is not dependent on the performance of any individual sugar mill. In order to ensure that higher sugar recoveries are adequately rewarded and considering variations amongst sugar mills, the FRP is linked to a basic recovery rate of sugar, with a premium payable to farmers for higher recoveries of sugar from sugarcane. The amended provisions of the Sugarcane (Control) Order, 1966 provides for fixation of fair and remunerative price (FRP) of sugarcane having regard to the following factors:-

- cost of production of sugarcane;
- return to the growers from alternative crops and the general trend of prices of agricultural commodities;
- availability of sugar to consumers at a fair price;
- price at which sugar produced from sugarcane is sold by sugar producers;
- recovery of sugar from sugarcane;
- the realization made from sale of by-products viz. molasses, bagasse and press mud or their imputed value;
- reasonable margins for the growers of sugarcane on account of risk and profits



4.1.4 A comparison of the SMP and FRP fixed by Central Government for the past few years is tabulated vide Table-4.1.

Table-4.1

**SMP / FRP of Sugarcane Fixed during
2001-02 to 2013-14 Sugar Seasons
(Rs. per quintal)**

Sugar season	SMP/FRP	Linked to Basic recovery rate of	Cane rate enhancement for every 0.1% increase in sugar recovery above basic recovery rate
2001-02 (SMP)	62.05	8.5%	0.73
2002-03(SMP)	69.50	8.5%	0.76
2003-04(SMP)	73.00	8.5%	0.82
2004-05(SMP)	74.50	8.5%	0.85
2005-06(SMP)	79.50	9%	0.88
2006-07(SMP)	80.25	9%	0.90
2007-08(SMP)	81.18	9%	0.90
2008-09(SMP)	81.18	9%	0.90
2009-10(SMP)	107.76	9.5%	0.90
2009-10(FRP)	129.84	9.5%	1.13
2010-11(FRP)	139.12	9.5%	1.37
2011-12 (FRP)	145.00	9.5%	1.46
2012-13 (FRP)	170.00	9.5%	1.79
2013-14 (FRP)	210.00	9.5%	2.21

Source: Department of Food and Public Distribution, GOI



4.1.5 A comparative breakup of the cost components of FRP since its adoption is as per Table-4.2.

Table-4.2
Cost Components of FRP

(Rs. per quintal)

Cost component	2009-10	2010-11	2011-12	2012-13	2013-14
(a) C2 cost of sugarcane at 9.5% recovery	76.96	85.66	99.07	125.80	179.15
(b) cost of transport	13.36	13.36	13.36	14.59	14.59
(c) Insurance charges	-	1.79	2.86	3.13	3.13
(d) Margin on account of profit	13.55	15.12	29.71	27.13	12.72
(e) Margin on account of risk	25.97	23.19			
Total FRP	129.84	139.12	145.00	170	210

*Source: Commission for Agricultural Costs and Prices,
Department of Agriculture and Cooperation, GOI*

4.1.6 Further, under powers conferred by the Concurrent list (under article 246 in the 7th schedule) of Constitution of India, State Governments have also been prescribing sugarcane prices generally higher than FRP every year. In the process, in practical terms there are two cane pricing systems in vogue – State Advised Prices (SAP) and Agreed Prices among cane producing states, over and above FRP.



4.1.7 State Advised Prices (SAP)

The states of UP, Uttarakhand, Punjab, Haryana and Tamil Nadu invariably announce State Advised Prices (SAP) which are higher than FRP. State Advised Price (SP) of sugarcane is determined by the State Government of Uttar Pradesh under the powers conferred upon it by the State legislation in this regard. Some of the factors considered by the State Government of Uttar Pradesh for fixing SAP of sugarcane are as under:-

- The cost of production of sugarcane.
- The return to the grower from alternative crops & the general trend of prices of agriculture commodities.
- FRP fixed by Union Government.
- Price of sugarcane fixed by the other State Governments.
- Prevailing prices of sugar and future price trends.
- Conversion cost of sugarcane to sugar.
- The recovery of sugar from sugarcane.
- Realisation from by-products such as molasses, bagasse, pressmud, electricity etc.
- Prices at which sugarcane is being purchased by manufacturers of jaggery and Khandsari units.
- National and State sugar production.
- Possibilities of sugar export and import.
- International prices of sugar.

The issue of power of the State Government to fix State Advised Price (SAP) is under adjudication of the Apex Court and it has referred the matter to larger Bench vide Judgment dated 17th January, 2012 in Civil Appeal No. 7508 of 2005-West U.P. Sugar Mills Association Vs. State of Uttar Pradesh (2012



2SCC 773). The issue has been referred to a larger bench because of divergent judgments in similar earlier cases. Originally, it was held in Tika Ramji's case that there was no power to fix a price for sugarcane under the U.P. Sugarcane Act and Orders made there under. Whereas in a subsequent majority judgement of the Constitution in the 2004 case between UP Cooperative Cane Unions Federation vs. West UP Sugar Mills Association and others it was held that :- 'The inconsistency or repugnancy will arise if the State Government fixed a price which is lower than that fixed by the Central Government. But, if the price fixed by the State Government is higher than that fixed by the Central Government, there will be no occasion for any inconsistency or repugnancy as it is possible for both the orders to operate simultaneously and to comply with both of them. A higher price fixed by the State Government would automatically comply with the provisions of sub clause (2) of clause 3 of the 1966 Order. Therefore, any price fixed by the State Government which is higher than that fixed by the Central Government cannot lead to any kind of repugnancy".

4.1.8 Agreed Prices: In the states of Maharashtra, Gujarat and North Karnataka, the payment system for sugarcane is more or less a kind of Agreed Price System, which as the name connotes means a mutual agreement between sugar mills and sugarcane farmers. The system's genesis lies in the cooperative structure of the bulk of sugar industry in these areas, whereby sugarcane farmers are the shareholders of the sugar mill. In this system a minimum payment as per FRP is ensured and any profit over and above FRP in the sugar mill operations is shared among cane cultivators.

4.1.9A comparison of Fair and Remunerative Price (FRP)/ Agreed price and State Advised Price (SAP) during 2012-13 and 2013-14 Sugar Season is at Table-4.3.



Table-4.3
Spectrum of State-wise Cane Prices

(Rs. Per quintal)

State	Sugar Season 2013-14	Sugar Season 2012-13
Punjab	290 (Early Varieties)	250(Early Varieties)
	280 (Mid Varieties)	240(Mid Varieties)
	275 (Normal Varieties)	235(Normal Varieties)
Haryana	301 (Early Varieties)	276(Early Varieties)
	290 (Mid Varieties)	271(Mid Varieties)
	285 (Normal Varieties)	266 (Normal Varieties)
Tamil Nadu	Rs.265 per quintal linked to 9.5% with increase of Rs.2.21 for every 0.1% point increase in recovery above 9.5%. (includes Rs.10 per quintal transport)	Rs.235 per quintal linked to 9.5% with increase of Rs.1.79 for every 0.1% point increase in recovery above 9.5%. (includes Rs.10 per quintal transport)
Uttar Pradesh	290(Early Varieties)	290(Early Varieties)
	280(Normal Varieties)	280(Normal Varieties)
	275(Rejected Varieties)	275(Rejected Varieties)
Uttarakhand	295 (Early Varieties)	295 Ex-mill gate (Early Varieties)
	285 (General Varieties)	285 Ex-mill gate (General Varieties)
Bihar	245(Un-recommended varieties)	245 (Un-recommended Varieties)
	255(Central Varieties)	255 (General Varieties)
	265(Early Varieties)	265 (Early Varieties)
Maharashtra	Sugar mills pay mutually agreed price with farmers of their area; final payable price not yet decided; ___	Kolhapur, Sangli and Satara region –Rs.250 per quintal. Ahmednagar, Pune and Solapur region-Rs 210 to 230 per quintal Marathwada and Vidarbha region Rs.190 to 220 per quintal
Gujarat	Sugar mills to pay FRP or more based on profit sharing	Sugar Mills paid FRP or more based on profit sharing.
Karnataka	South Karnataka Rs.250/- per quintal Ex-Gate. North Karnataka Rs.250/- per quintal Ex-field. Additional Rs.15 per quintal will be paid by state Govt. to the cane farmers.	Rs.240 per quintal Ex-Gate for Mandya and Shimoga mills.-Govt. undertakings. Mills in Bidar and Gulberga District – Rs.200 to 220 per quintal Other mills at Rs.250 per quintal
Andhra Pradesh	Rs.240-260 per quintal for Private mills Rs.216 per quintal for cooperative mills. This includes Rs.6 per quintal to be paid by State Govt.	The State Govt. announced the sugarcane price to be paid in the range of Rs.220 to Rs.260 per quintal based on performance of the mills inclusive of all subsidies.
All India FRP announced by the Central Government.	Basic FRP at 9.5 % recovery Rs.210/- per quintal with additional increase of Rs.2.21 for every 0.1% point increase in the basic recovery %.	Basic FRP at 9.5 % recovery Rs.170.00 per quintal with additional increase of Rs.1.79 for every 0.1% point increase in the basic recovery %.



4.1.11 The Rangarajan Committee Reportⁱⁱⁱ discusses the system of sugarcane pricing in the country and recommends on the following lines:

3.1 *Although the capacity for and production of sugar and sugarcane have increased over time, cyclicalities have remained. One of the reasons appears to be the way pricing of cane is done. Currently, although an FRP is announced based on the recommendations of CACP, many State Governments announce their own SAP/negotiated price. The problem with this approach adopted at the state level is that such a price is not linked directly to the sugar price, and lacks transparency. As a result, with sugar prices varying, this sometimes leads to an abnormally high share of the sugar value as cane payments made to farmers, which mills are not able to viably finance leading to accumulation of cane arrears. In the years following such peak payment years, there is a drastic fall in farmers' share in sugar prices, going even below 50 per cent at times, which corrects the system in a very disruptive manner, making it slide from the peak like a roller-coaster and bringing it to a trough, to be again taken upon an upswing, thus leading to cycles in production, bringing greater uncertainty and risk.*

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3.2 *Therefore, there is a dire need to adopt a scientifically sound and economically fair principle to arrive at a fair determination of cane dues as a share of the total value in the sugar production chain, in line with the international practice. Further, given the limited capacity of farmers to absorb the risk of high volatility in sugar (and therefore sugarcane) price, this may be supplemented with a minimum price fixed for sugarcane (FRP). This will bring about greater certainty,*

ⁱⁱⁱReport of the Committee on the Regulation of Sugar Sector in India: The Way Forward" by a high powered committee, under Chairmanship of Dr. C. Rangarajan, Chairman, Economic Advisory Council to Prime Minister, October, 2012.



much needed stability and rationality into the system and help attract greater investment, putting the sugar sector on a higher growth trajectory.

3.3 With regard to value sharing, the key question that needs to be answered is which are the products whose value needs to be shared, and in what proportion. The value created comprises basically sugar and its principle primary products namely molasses, bagasse and press mud which are obtained in the first stage of processing. The fundamental principle underlying sharing of the value created from sugar and its by-products is that such value should be apportioned in the relative share of costs incurred by farmers and millers.

3.4 Detailed calculation done by CACP in its report show that, on an average, cane farmers would get a better deal in terms of pricing of cane in comparison to the current system and would also be more transparent and stable, benefiting both farmers and mills. An analysis of the costs incurred by sugarcane farmers and those incurred by sugar mills suggests that this value-sharing ratio between farmers and millers works out as 69:31 which, rounded off, can be taken as 70:30. The estimation made by CACP is presented in Table-3.1.

Table-3.1
Farmers' Share in Sugar Value

SN	Parameter	All India value
1	Recovery rate (%)	10.31
2	Ex-mill price of sugar (Rs./qtl.)	2825
3	Gross conversion cost (Rs./qtl. of cane)	43.50
4	Harvesting cost, if borne by millers (Rs./qtl. of cane)	3.05
5	Transportation cost (Rs./qtl. of cane)	0.66
6	Cost incurred by millers (Rs./qtl. of cane) {sum of rows 3 to 5}	47.21
7	Cost incurred by farmers (Rs./qtl. of cane)	103.91
8	Total cost of sugar produced from crushing of 1 qtl of cane (Rs.) {sum of rows 6 & 7}	151.12
9	Cost incurred by farmers expressed as a percentage of the total cost	68.76



Note: Data relates to triennium ending 2009-10 (data of sugar cane production has been taken for six states, namely Andhra Pradesh, Haryana, Karnataka, Maharashtra, U.P and Tamil Nadu, which accounted for 88% of sugarcane produced at all India level during 2009-10)

3.5 The value of sugar taken above for working out farmers' share in sugar value includes not only the cost of sugarcane and operating costs, but also capital costs, inclusive of depreciation, interest on debt, and a 12% post-tax return on the capital employed. Thus, farmers will get a share of the profits.

3.6 Over and above this share of sugar value, the same value-sharing ratio should also apply to the value/revenue generated from saleable primary by-products of sugar production. Therefore, it is suggested that 70% of the value of all three major primary by products, namely bagasse, molasses and press mud (all at ex-mill price) including the imputed value of molasses for an integrated distillery and of bagasse for cogeneration, be fixed as cane payment due to the farmer for the sugarcane supplied.

3.7 Based on an analysis of the data available for the by-products, and by loading that on the value of sugar, the value sharing ratio for cane farmers is estimated to amount to roughly 75 per cent of the ex-mill value of sugar alone. The CACP report (Ibid.) notes that the actual prices paid to sugarcane farmers in Maharashtra and UP, on an average for the period from 2004-05 to 2011-12, works out to 75 and 72 per cent of their respective sugar prices. CACP's data in this regard is presented in Table-3.2. The advantage of the proposed cane pricing system is that rather than farmers getting a fluctuating share in the sugar value chain, with accumulation of cane arrears in years of high price, they would have stability in payment of cane dues at about 75% of the value of sugar each year.



Table-3.2

Actual Prices Received by Sugarcane Farmers and SMP/FRP as Percentage of Ex-mill Sugar Prices in Maharashtra and U.P.

(Rs./qtl., per cent)

Sugar season	Ex-mill sugar prices		Cane prices paid to farmers		Cane prices as per cent of exmill sugar prices		SMP/FRP at State-specific recovery rate		Recovery rate (%)		SMP/FRP as % of ex-mill prices at State-specific recovery rate	
	Mah.	UP	Mah.	UP	Mah.	UP	Mah.	UP	Mah.	UP	Mah.	UP
2004-05	1601.66	1674.70	130.07	104.50	81.21	48.49	99.83	85.81	11.39	9.79	62.33	51.24
2005-06	1820.42	1692.29	140.62	112.50	77.25	66.48	103.00	83.83	11.66	9.49	56.58	49.54
2006-07	1452.29	1296.75	93.92	125.00	64.67	96.39	101.56	84.62	11.39	9.49	69.93	65.25
2007-08	1317.08	1492.71	93.41	125.00	70.92	83.74	106.44	83.89	11.80	9.30	80.81	56.20
2008-09	2082.29	2161.08	158.05	140.00	75.90	64.78	103.91	81.18	11.52	8.91	49.90	37.56
2009-10	3121.67	2889.58	214.69	165.00	68.77	57.10	157.31	129.84	11.51	9.13	50.39	44.93
2010-11	2806.67	2592.96	205.00	205.00	73.04	79.06	165.77	139.12	11.32	9.16	59.06	53.65
2011-12	2720.00	2950.00	235.00	240.00	86.40	81.36	172.78	145.00	11.32	9.16	63.52	49.15
Average					74.77	72.18					61.57	50.94

3.8 States may publish half-yearly mill-wise prices (including imputed price where applicable) and quantities of sugar and the by-products for this purpose. While scrutinizing the ex-mill sugar pricing data, the open market price of sugar, as ascertained in the process of competitive bids received while procuring sugar



for PDS (which has been recommended separately, in lieu of the present levy sugar arrangement), net of taxes, may be kept in view.

3.9 The actual payment for cane dues would happen in two steps. The first would be payment of FRP a floor price as per extant mechanism, i.e., within 15 days of receipt of the sugarcane by a mill. Balance payment of cane dues will be done subsequent to publication of half-yearly ex-mill prices and values, on the lines indicated.

3.10 Suitable changes may be made in the relevant control orders to give effect to the recommendation outlined above.

3.11 With such a system in operation, states should not declare an SAP.

4.1.12 Due to Hon'ble Supreme Court's judgment pronouncing that the States have authority to declare sugarcane price, recommendations of Dr. C. Rangarajan Committee on Cane Pricing have not made much headway except in the Maharashtra and Karnataka States.

4.2 Cane Payment Situation during the Study Period

4.2.1 As is clear from the write up in the earlier sections of this Chapter, even though the per unit cane payment (FRP, which is based on recommendations of CACP) is statutorily dictated and has scientific basis, cane prices mandated to be paid are in general above FRP i.e. in the form of SAP or agreed prices. As the cane prices are fixed by government statutes and are to be invariably paid by sugar mills (and in regards of financials of sugar manufacturing) the per unit cane price received/receivable by farmers should not have been impacted by the regulation/de-regulation period policies. The important point as far as condition of



farmers in pre and post de-regulation period was concerned, should have been the swiftness with which the cane price mandated/agreed was paid by the sugar mills and were there any pains in the process. Still, considering various cane payment systems in vogue in various States, the absolute per unit price of cane paid during the study period in each state was attempted to be captured and the data is quite revealing and is given vide Table-4.4. The year end cane price arrear situation during the study period is tabulated vide Table-4.5. The Table-4.6&4.7 indicate the month wise cane arrear percentage during the pre and post de-regulation periods.

Table-4.4

Cane Price Paid by Mills (Ex-Gate) (Rs./Qtl.)

State	2012-13	2013-14
Andhra Pradesh	246	251
Haryana	271	295
Punjab	240	280
Uttarakhand	285	285
Uttar Pradesh	280	280 [^]
Bihar	255	255
Tamil Nadu	240	240
Karnataka	275	250
Maharashtra	275	255
Gujarat	260	240

Source: State Governments and Sugar Mills

Table-4.5
Year end Cane Payment Situation

State	2012-13 Sugar Year				2013-14 Sugar Year			
	Total cane price payable#	Total cane price paid@	Cane price arrears^	% arrears \$	Total cane price payable#	Total cane price paid@	Cane price arrears^	% arrears \$
Andhra Pradesh	2353.09	2311.87	41.22	1.75	2417.88	2362.67	55.21	2.28
Haryana	1418.95	1418.95	0.00	0.00	1689.29	1689.29	0.00	0.00
Punjab	1162.91	1162.91	0.00	0.00	1422.89	1422.37	0.52	0.04
Uttarakhand	1042.48	903.55	138.93	13.33	909.53	693.93	215.60	23.70
Uttar Pradesh	22463.46	19984.13	2479.33	11.04	19388.04	16333.18	3054.86	15.76
Bihar	1451.64	1396.16	57.48	3.96	1632.85	1465.28	167.56	10.26
Tamil Nadu	4908.42	4623.77	284.65	5.80	4039.30	3590.22	449.08	11.12
Karnataka	7967.09	7841.36	125.73	1.58	9349.71	7546.90	1802.81	19.28
Maharashtra	14725.24	14725.24	0.00	0.00	13474.74	13413.71	61.03	0.45
Gujarat	2204.26	2169.36	34.90	1.58	2628.86	2511.06	117.80	4.48
Total	59697.54	56537.3	3162.24	5.29	56953.09	51028.61	5806.67	10.19

#Gross amount payable (Rs. In Crores) to farmers by the sugar mills for the entire sugar year for the quantity of sugarcane supplied

@ Amount paid (Rs. In Crores) to farmers by the sugar mills for the entire sugar year for the quantity of sugarcane supplied

^ Total cane price payable - Total cane price paid (Rs. In Crores)

\$ Cane Price arrears / Total Cane price payable X 100

Source: Department of Food and Public Distribution, GOI

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Table-4.6

Month-wise Cane Arrears Situation during Pre De-regulation Period (2012-13 sugar Year)

2012-13 Sugar Year																								
State	Month Ending																							
	Oct		Nov		Dec		Jan		Feb		Mar		Apr		May		Jun		Jul		Aug		Sept	
	@	%	@	%	@	%	@	%	@	%	@	%	@	%	@	%	@	%	@	%	@	%	@	%
Bihar	10.99	1	0	0	0	0	324.25	40.3	408.86	35.3	431.26	31.1	332.21	23.5	242.8	16.7	150.06	10.3	102.87	7.09	75.56	5.21	57.47	3.96
Haryana	0	0	0	0	138.66	45.5	155.09	28.8	194.2	23.3	228.96	19.3	181.78	12.9	134.41	9.47	1004.6	0.71	0	0	0	0	0	0
Punjab	30.77	3.2	0	0	74.98	22.2	104.63	15.7	135.11	14.3	133.31	11.6	103.72	8.2	103.19	8.87	0	0	0	0	0	0	0	0
Uttarakhand	46.57	5.1	0	0	118.96	43.8	292.97	53.4	360.52	48.1	462.85	47.3	453.14	43.5	410.64	39.4	375.82	36	256.22	24.6	223.18	21.4	138.93	13.3
Uttar Pradesh	153.2	0.9	0	0	4610.6	76.1	5842.35	52.3	6564.23	42.3	7779.22	38.3	7087.99	31.7	5375.5	23.9	4234.6	18.9	3331.2	14.8	2595.8	11.6	2479.3	11
Andhra Pradesh	42.97	1.8	0	0	375.69	46.1	480.73	34.2	556.05	28.3	513.03	22.4	337.48	14.5	206.25	8.8	109.49	9.67	74.53	3.18	58.5	2.49	41.22	1.75
Tamil Nadu	103.5	2	125.5	39.2	349.58	35.2	470.12	27.9	574.59	23.3	684.16	21.4	668.76	17.9	526.27	13.2	501.37	12	363.29	8.17	333.26	7.04	284.64	5.8
Karnataka	40.21	0.6	952.26	53.3	1547.1	40.7	1801.4	31.7	1767.73	25	1410.43	18.2	941.37	12.1	622.02	8.02	352.69	4.55	233.01	3	202.58	2.49	125.73	1.58
Maharashtra	3.52	0	151.05	24.6	292.66	7.34	299.53	4.07	788.12	9.62	669.35	5	540.74	3.76	132.58	0.91	100.15	0.01	0	0	0	0	0	0
Gujarat	1.77	0.1	0	0	319.06	42	351.4	30.2	392.41	29.9	317.69	21.5	273.08	15.6	56.12	2.84	17.93	0.91	15.85	0.79	881.34	0.44	34.9	1.58
Total	433.5		1228.8		7827.3		10122.5		11741.82		12630.3		10920.3		7809.8		6846.7		4376.9		4370.3		3162.2	

@ Gross Cane Price Arrear amount (Rs. In Crores)

Source: Department of Food and Public Distribution, GOI

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Table-4.7
Month-wise Cane Arrears Situation during Post De-regulation period (2013-14 Sugar Season)

2013-14 Sugar Year																								
State	Month Ending																							
	Oct		Nov		Dec		Jan		Feb		Mar		Apr		May		Jun		Jul		Aug		Sept	
	@	%	@	%	@	%	@	%	@	%	@	%	@	%	@	%	@	%	@	%	@	%	@	%
Bihar	44.37	3.06	0	0	0	0	451.8	66.84	605.94	57.9	662.38	46.9	676.44	42.7	596.61	36.6	460.3	28.19	355.25	21.8	240.53	14.7	167.56	10.26
Haryana	0	0	0	0	196.5	59.7	262	37.49	334.14	32.3	317.64	22.7	326.2	19.3	234.77	13.9	8.95	0.53	141.31	0.08	0	0	0	0
Punjab	0	0	42.77	96.1	157.7	36.6	235.9	28.46	319.83	27.6	314.15	24.1	270.9	19	222.22	15.6	168.52	11.84	15.26	1.07	14.5	1.02	52.2	0.04
Uttarakhand	885.3	8.47	95.99	100	183.7	79.2	317	65.58	456.21	65	508.26	57.7	432.53	47.6	387.92	42.6	279.22	30.7	279.25	30.7	232.65	25.6	215.6	23.7
Uttar Pradesh	2329	10.4	0	0	2915	81.1	6288	72.57	9312.7	70.7	10474	60.3	9661.7	50.3	8651.7	44.6	7037.8	36.3	5741.7	29.6	5062.1	26.1	3054.9	15.76
Andhra Pradesh	29.52	1.25	0	0	216.6	73.6	515	40.04	514.97	40	514.97	40	356.71	14.8	356.71	14.8	203.78	8.43	151.86	6.28	89.77	3.71	55.21	2.28
Tamil Nadu	140.2	2.86	63.56	42.5	275.4	50.2	461.5	39.48	759.79	40.4	879.96	34.1	828.42	27.5	791.23	24.5	630.75	19.22	504.39	14.4	470.72	12.4	449.08	11.12
Karnataka	50.58	0.63	712.6	74.4	2106	70.3	2594	50.72	3188.7	44.7	3367.3	38.1	3111	33.3	2193.7	23.5	1824.9	19.52	1794.7	19.2	1814.2	19.4	1802.8	19.28
Maharashtra	0	0	200.5	61.7	442.6	14.5	652.8	10.19	1391.6	14.6	910.97	7.59	590.5	4.41	245.11	1.81	126.79	0.94	71.22	0.53	61.24	0.45	61.02	0.45
Gujarat	5.93	0.26	262.5	64.7	351.9	51.3	466.9	45.34	625.73	44.9	692.6	40.7	606.26	29	374.4	17.1	310.21	14.03	256.51	11	175.73	7.45	117.8	4.48
Total	3485		1378		6846		12244		17510		18642		16861		14054		11051		9311.5		8161.5		5976.1	

@ Gross Cane Price Arrear amount (Rs. In Crores)

Source: Department of Food and Public Distribution, GOI

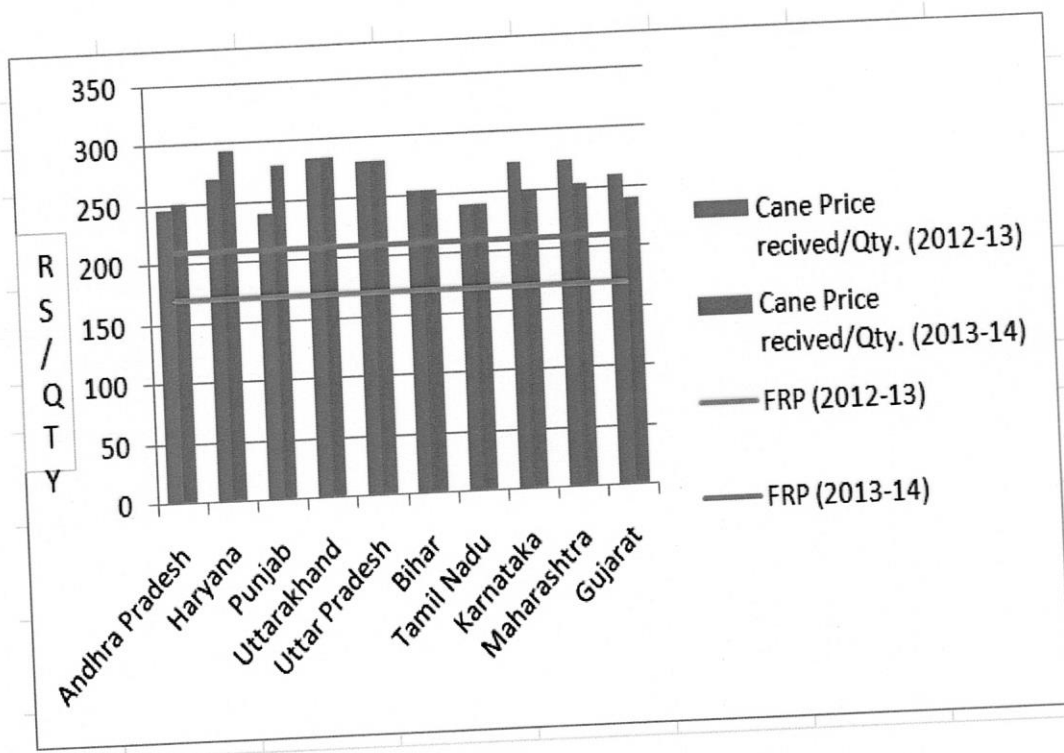
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4.3 Interpretation of the Situation:

4.3.1 The cane prices per unit of cane supplied, received by farmers during 2013-14 were same as 2012-13 in four states, were lesser than 2012-13 in three states and higher than 2013-14 in three states as indicated in Fig. 4.1. Moreover the differential between the cane prices received and the FRP for the corresponding year considerably got reduced during 2013-14 in comparison to 2012-13.

Fig. 4.1 - Cane Prices Received by Farmers

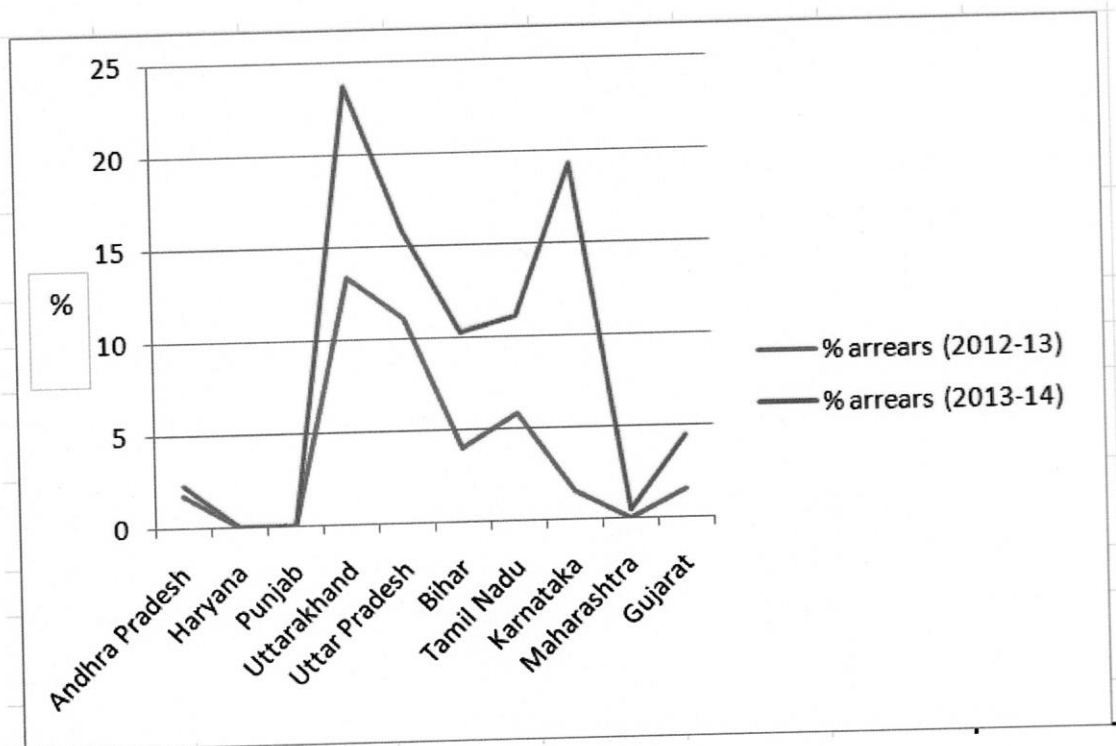


4.3.2 The annual gross cane payment due to the farmers during the pre as well as post de-regulation period was almost same i.e. Rs.59697.54 crores during 2012-13 and Rs.56953.09 during 2013-14. Without going into whether this



situation was reflection of lesser cane production or lesser realization per unit of cane supplied to the sugar mills, the painful fact that emerges is that the gross income of the sugar cane farmers in the ten major sugar cane states in country remained almost constant over two years of this study period. Moreover, the cane payment arrears at the end of concerned season, which are the barometer of the liquidity position in the sector, were higher both in quantitative terms as well as in terms of percentage during 2013-14 in comparison to 2012-13. In quantitative terms, the figure was as high as Rs.5924 crores during 2013-14 against Rs.3162 crores during 2012-13. The percentage figures are also indicated in Fig. 4.2 and indicate that the percentage of the season end arrears were higher in seven out of the ten states during 2013-14 in comparison 2012-13.

**Fig. 4.2 - Season Ending Cane Price Arrears
(in percentage terms) Across States**

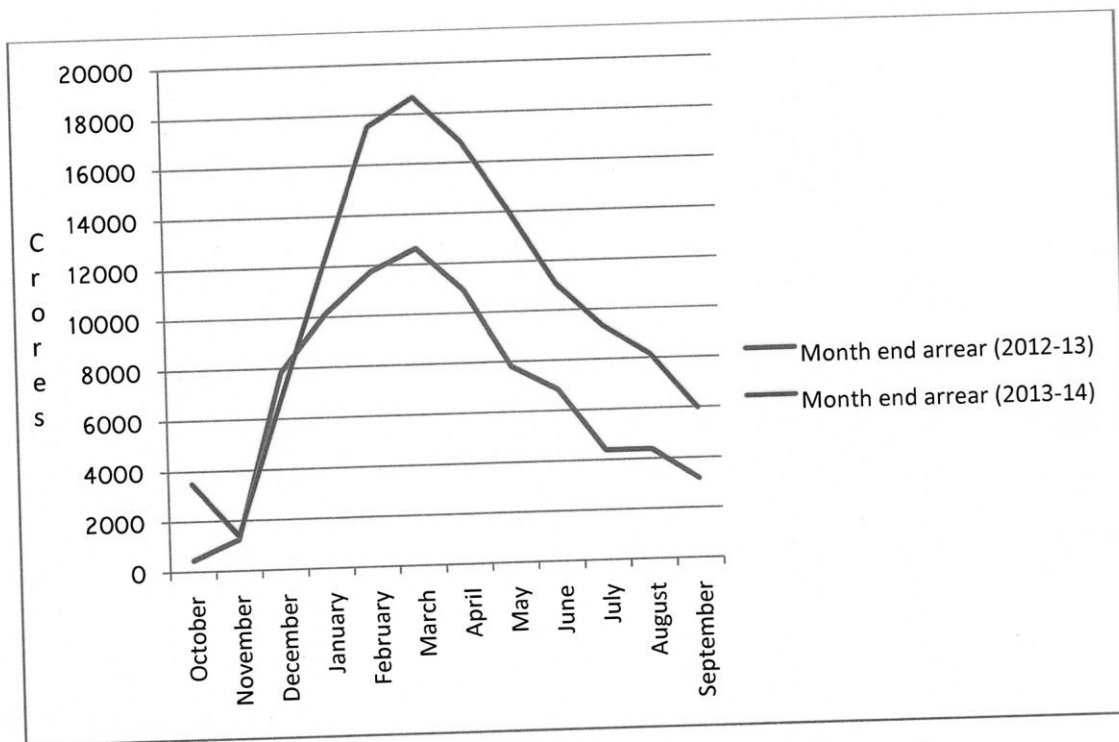


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4.3.3 The post de-regulation season commenced with the gross arrears figures almost similar to the pre de-regulation phase upto December, 2014. However, subsequently the arrears started building up and were continuously higher throughout 2013-14 i.e. up to September, 2014 as evident from Fig. 4.3.

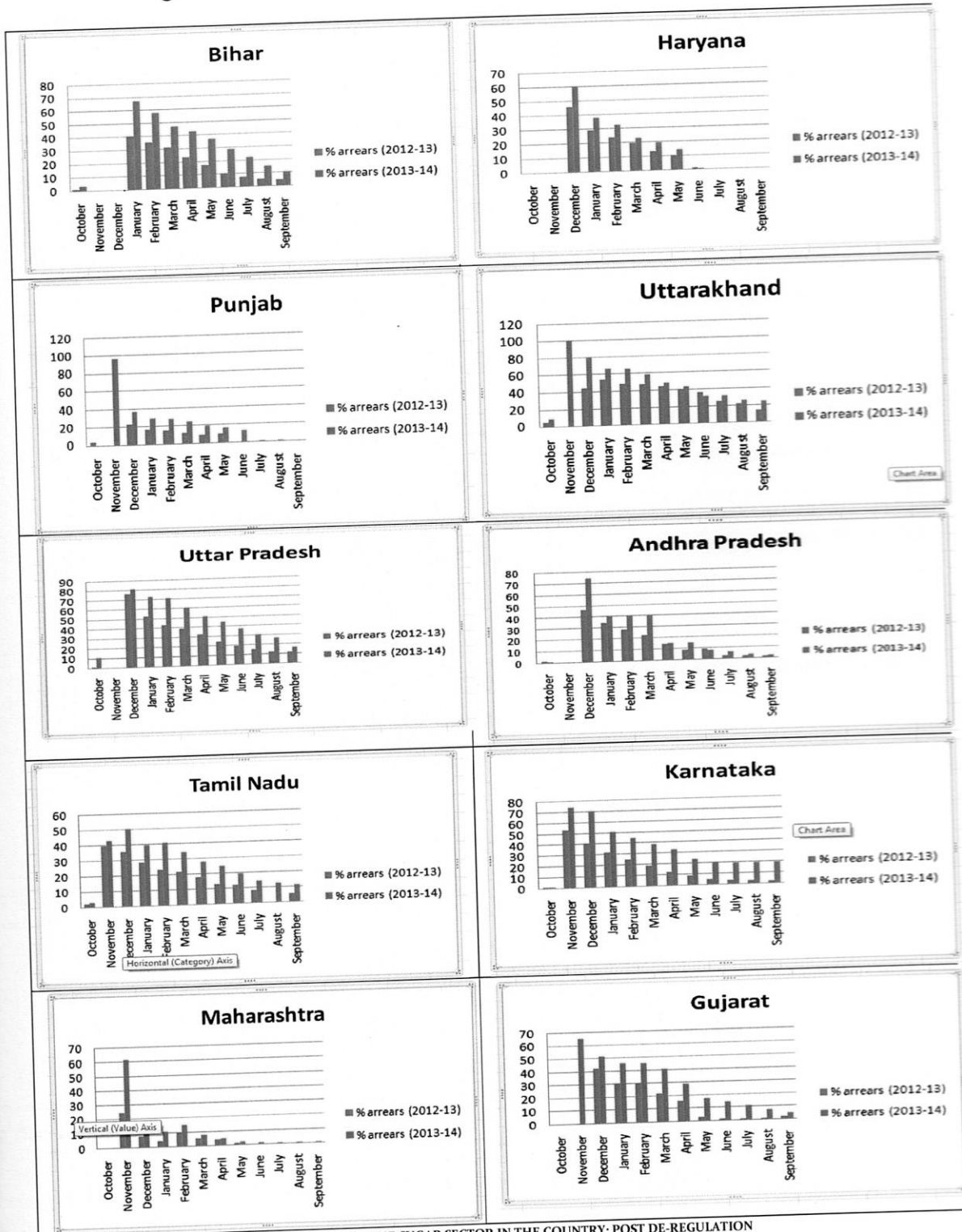
Fig. 4.3 - Month Wise Gross Arrears



4.3.4. The cane payment pattern, month wise, reflected even grimmer situation during 2013-14 as can be seen from state wise charts at fig. 4.4. The percentage arrears were higher every month and in every state during 2013-14 in comparison to 2012-13 sugar season. This means that the farmers were getting lesser cash in hand each and every month, in the post de-regulation period.



Fig. 4.4 Month Wise Cane Arrears (%) in Different States





4.4 Findings

The sugar cane farmers suffered both during pre de-regulation as well as post de-regulation phase. In fact the sufferings of the farmers multiplied manifold during 2013-14. The per unit cane price received by farmers were either stagnant or only marginally better. On the top of stagnant per unit realizations, the arrears on account of cane supplies by farmers to the mills were considerably higher whether seen on monthly basis or season end basis, during post de-regulation phase.

The sorry state of affairs for sugar cane farmers has continued during 2014-15 sugar season. The all India cane price arrears stood at Rs.14,547.38 crores (39.96% of total cane price payable) as on 15-02-2015 and were about as bad as the figures as on 15-02-2014 which was Rs.15,373.86 crores (46.96% of total cane price payable). This is despite the fact that the per unit cane price to be paid to the farmers during 2014-15 has been either kept constant or has been below 2013-14 levels in major sugar producing states.
