



drishti

## Sustainable Sugarcane Industry

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This article is based on **“Is the sugar industry finally coming of age?”** which was published in The Hindu Business Line on 08/07/2021. It talks about the associated challenges and solutions for the sugarcane industry.

**Sugarcane cultivation in India** has expanded in the last few decades. Factors like policies that incentivize production, including a minimum price, guaranteed sales of sugarcane and public distribution of sugar, have helped India become the second-largest producer of sugar worldwide.

However, factors like rainfall deficit, depleting groundwater table, delayed payment to cane farmers, lower net income (for the farmer) compared to other crops, labour shortage and increasing cost of labour, followed by Covid-19 pandemic are paralysing the entire sugar sector.

As sugarcane is a cash crop, rectifying issues that grapple the sugarcane industry remains critical for Indian agriculture and doubling farmer's income.

### Associated Challenges With Sugarcane Industry

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- **Pricing Controls:** In order to plug the demand-supply mismatch, the union & state governments have been controlling sugar prices through various policy interventions like export duty, imposition of stock limit on sugar mills, change in meteorology rule etc.
  - However, the government control of pricing is populist in nature and this often leads to price distortion.
  - This has triggered that sugar cycle oscillating between massive surplus and severe shortage.

- **High Input and Low Output Cost:** The falling/stagnant price of sugar in recent years in the backdrop of continuous rise in sugarcane prices is the main source of troubles faced by the sugar industry in the last few years.
  - Due to this, the government grappled with large cane arrears while the industry survived on periodic government funded bail-outs and subsidies.
  - It is because of the unviability of the business, no new private investments are being done in the sugar industry.
- **Unviability Sugar Exports:** Indian exports are unviability as the cost of producing sugar (thanks to high cane price) is way above the international sugar price.
  - The government sought to bridge the price gap by providing export subsidies, but this was promptly contested by other countries in the WTO.
  - Further, India under WTO's agreement on agriculture has been allowed to continue with the subsidies till December 2023. The fear is what will happen post-2023.
- **Dismal Performance of India's Ethanol Programme:** **Blending ethanol** with petrol for use as auto fuel, was first announced in 2003, but the problem never took off.
 

The poor pricing of ethanol supplied for blending, periodic shortages of sugar and competing demand from the potable alcohol sector.

## Way Forward

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- **Sugarcane Mapping:** Despite the importance of sugarcane in the water, food and energy sectors in India, there are no reliable sugarcane maps for recent years and in time series.
 

Thus, there is a need to deploy remote sensing technologies to map sugarcane areas.
- **Innovation:** Research and development in sugarcane can help address the issues like low yield and low sugar recovery rates.
  - For example, in 2016-17, a new variety of sugarcane (CO 238) was developed for use in Uttar Pradesh (UP).
  - Considering that UP produces bulk of India's sugarcane, its share in the country's sugar output rose to 40 per cent from 25 per cent.
  - This singular development effectively broke the sugar cycle and made India a consistently surplus sugar producer.

- **Freeing-up Cane Pricing:** The government of India has taken various measures to help the sugarcane sector, but reforms in the sugarcane sector will start to manifest when price discovery will happen with economic sense.
  - In this context, the **Rangarajan Committee** has suggested a Revenue Sharing Formula formula to fix cane price factoring in the price of sugar and other by-products.
  - Further, in case the cane price, arrived at by the formula, drops below what the government considers as a reasonable payment, it can bridge the gap from a dedicated fund created for the purpose and a cess can be levied to build up the fund.
- **Supporting Biofuel Production:** Government should encourage ethanol production. It will bring down the country's oil import bill and help in diversion of sucrose to ethanol and to balance out the excess production of sugar.
  - For this, the government should allow ethanol making directly from sugarcane juice, which is presently restricted to molasses only.

## Conclusion

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The sugar industry is a source of livelihood for 50 million farmers and their families. It provides direct employment to over 5 lakh skilled laborers but also to semi-skilled laborers in sugar mills and allied industries across the nation.

Considering the importance of the sugar industry, the crisis faced by sugarcane farmers needs to be resolved promptly through centre and state policy initiatives.

### ***Drishti Mains Question***

The sugar industry requires a paradigm shift to be sustainable and profitable in the long run. Discuss.

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