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Q. Sugarcane and sugar production plays a significant role in the economy of India, trade and livelihood. Enumerate the challenges faced by the sugarcane industry and suggest measures to mitigate them. (150 Words)

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Approach / Explanation / Answer

- Begin with a brief introduction
- Discuss the importance of the sugar industry in India
- Analyse the problems of the sugar industry in India
- Also, recommend measures to mitigate the crisis

Answer

India is the largest consumer of sugar in the world. The sugar industry is amongst the most important agro-based industries in the country that impact the livelihood of about 5 crore farmers and their family members and 5 lakh workers directly employed with the sugar mills. There are more than 700 installed sugar factories in the country with a crushing capacity of about 340 lakh MT of sugar and an annual turnover of about Rs 80,000 crore.

Importance of Sugar Industry

Multiple linkages: Sugar is a labour-intensive industry, up the entire value-chain from cane-growing to sugar and alcohol production.

Source of employment: Sugar industry in India is the source of livelihood for 50 million farmers and their families. It provides direct employment to not only over 5 lakh skilled labourers but also semi-skilled labourers in sugar mills and allied industries across the nation.

Biofuel: Back in June 2018, the Ministry of Petroleum and Natural Gas published its “National Policy on Biofuels -2018” in which it proposed a 20% target blending rate for ethanol by 2030. Ethanol blended fuel can help in reducing crude oil imports.

Problems faced by Sugar Industry in India

- **Uncertain Production Output:** Sugarcane has to compete with several other foods and cash crops like cotton, oilseeds etc. This affects the supply of sugarcane to the mills and the production of sugar also varies from year to year causing fluctuations in prices leading to losses in times of excess production due to low prices.
- **High cost of production:** High cost of sugarcane, inefficient technology, uneconomic process of production and heavy excise duty results in high cost of manufacturing. The production cost of sugar in India is one of the highest in the world.
- **Low Yield of Sugarcane:** Yield of sugarcane in India per hectare is extremely low as compared to some of the major sugarcane producing countries of the world. For example, India's yield is only 64.5 tonnes/hectare as compared to 90 tonnes in Java and 121 tonnes in Hawaii.
- **Government policy and control:** The government has been controlling sugar prices through various policy interventions like export duty, imposition of a stock limit on sugar mills, change in meteorology rule etc., to balance supply-demand mismatch. But these controls have resulted in unremunerative sugar prices, increasing arrears for sugar mills and dues to be paid to sugarcane farmers.

Measures to mitigate these problems

- To prevent the problem of arrears for sugarcane farmers and to keep the sugar industry in sound financial health, sugarcane prices must be linked to sugar prices. The Revenue Sharing Formula (RSF) needs to be introduced, with a Price Stabilisation Fund to protect farmers from receiving prices below the FRP (Fair and Remunerative Price).
- Keeping in view the urgent need for conservation of water- shifting some areas under sugarcane cultivation to less water-intensive crops, by providing a suitable incentive to farmers.
- Due to stagnation and/or declining sugar prices, the liquidity position of the mills has remained a major cause for concern, prompting the Government to come out with various liquidity support measures from time to time. A long term solution requires a fund of a reasonable size to provide liquidity support to the mills if such situations emerge.
- There should also be efforts towards freeing both cane and sugar prices from the shackles of government control and allowing free market forces to dictate the demand-supply equation for sugarcane and its end-products.

The health of the sugar cane industry has a direct impact on India's rural economy, growth and employment. Thus, there is a need to fully adopt the recommendations of the Rangarajan committee, especially linking FRP for sugarcane to realisations from sugar and by-products.