

# **SOUTH INDIA SUGARCANE GROWERS MEET**

22<sup>ND</sup> & 23<sup>RD</sup> MAY, 2006

at CHETANA GARDENS & EXHIBITION GROUNDS, MYSORE

## **Overview of Sugarcane Growers & Sugar Industry & Issues for discussion**



Organized By:

**Consortium of Indian Farmers Associations (CIFA)  
National Sugarcane Commodity Committee**

In collaboration with

**Sugarcane Growers Association, Mysore & Chamrajnagar  
Karnataka Pradesh Krishik Samaj  
Andhra Pradesh & Tamilnadu Sugarcane Growers Associations**

**Delhi Address:**

8/32, South Patel Nagar, New Delhi - 110 008

Tel: 011 2584 2111, Fax: 011 2584 2123

E-mail: [cifa@indianfarmers.org](mailto:cifa@indianfarmers.org)

**Hyderabad Address:**

Flat # 209, Vijaya Towers, Shanthinagar,

Hyderabad - 500 028, Andhra Pradesh, India

Tel: 040 2331 9643, Fax: 040 2337 8046

E-mail: [indian\\_farmers\\_federation@yahoo.com](mailto:indian_farmers_federation@yahoo.com)

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## 1. CIFA : ITS EVOLUTION AND ACTIVITIES

Consortium of Indian Farmers Associations (CIFA), New Delhi is a unified, independent, apolitical national level farmers organization with innovative programmes and dynamic action plans to contribute to agriculture and rural development. It has been envisioned on the premise of turning agriculture into a profitable occupation to reassure farmer to restore his dignity and foster social equity.

### GOALS:

- Empowering farmers for effective participation in decision making
- To reduce economic gap between urban and rural, organized and unorganized sectors
- To provide irrigation facilities to all the farmers
- To provide market access and intelligence so as to ensure better prices to farmers
- To strive to improve the standard of living and economic conditions of farmers, rural artisans and agricultural labour.

### MEMBERSHIP:

It consists of State Level Farmers Federations, Cooperatives, Commodity Committees, Aqua Culture Farmers Associations, Horticulture Federations, Oil Seed Grower Federations & other Occupational Groups championing the cause of agriculture and allied activities.

### ASPIRATIONS:

1. Develop competitiveness of farmers and increase productivity levels to the global levels;
2. Build awareness on Soil fertility, adopt innovative management practices, cultivate water conservation practices, use Pre & Post Harvesting Technologies & organic farming techniques;
3. Assist farmers in getting credit, crop insurance, quality inputs & other facilities;
4. Establish Farmers Commodity Councils (FCC);
5. Democratize Co-operatives, Market Yards Committees and Water User Associations;
6. To build partnerships with national and international institutions and organizations including CII, ASCI, MANAGE, ICRISAT, World Bank and others;

The CIFA has been established and functioning at No.8/32, South Patel Nagar, New Delhi 110 008. The Executive Committee of CIFA consist Sri.Sanat Mehta, Chairman (Gujarat); Sri. P. Chengal Reddy, Secretary General (Andhra Pradesh); Sri. Shankari Koppa, Vice Chairman (Karnataka) and 10 other Executive Committee Members represented from Tamilnadu, Maharashtra, Uttaranchal, Bihar, Haryana, Uttar Pradesh, Himachal Pradesh & Kerala.

## 2. OVERVIEW OF INDIAN SUGAR INDUSTRY

- Sugar industry is the second largest Agro based industry in India.
- The only industry which is located in rural areas with a capital investment of Rs.1000 Crores.
- Around 50 million farmers and their dependents are involved in sugarcane cultivation constituting 7.5% of rural population.
- 0.5 Million skilled and semi skilled workmen mostly from rural areas are engaged in sugar industry.
- The sugar industry has been a focal point for socio economic development in rural areas.
- The industry distributes over 65% of its revenue in the rural area by the way of cane price.
- The area under sugarcane cultivation is 4 million hectares and the average yield is 65 metric tons per hectare.
- There are 455 sugar factories working (maximum in the cooperative sector and the rest in the public and private sectors).
- The average capacity of each factory is 3500tons of cane crush per day.
- The average duration is 140 days per annum
- The average sugar recovery is 10.25%
- India is the second largest producer of sugarcane next to Brazil.
- The estimated production during the year 2005-06 is 19 million tons & 2006-07 is 23 million tons.
- India had produced over 20 million tons in the past. It was also the highest producer of sugar in some years.
- 90% of the sugar production is concentrated in Six States .i.e, Maharashtra, Uttar Pradesh, Tamil Nadu, Karnataka, Andhra Pradesh and Gujarat while the balance is spread over in the rest of states.
- Co-operative sector produces around 55% of sugar while the private sector produces around 40% and the public sector around 5%.
- India's production and consumption match normally except in some exceptional years.

- The per capita consumption of sugar is 20 kg besides other sweeteners like Jaggery and Khandasari of 7 kgs per annum
- India exports small quantities of sugar mainly to the neighboring countries - Srilanka, Bangladesh, Pakistan, Indonesia, etc.
- 90% of the sugar produced is released for open market by the Government of India in a regulated way in order to maintain even flow of sugar into the market and to maintain prices stability.
- 10% of the sugar produced is released for distribution to the below poverty line population at fixed price.
- The excise duty on open market Sugar is Rs.85/- per quintal and on controlled market sugar is Rs.38/-. Out of open market price of Rs.85/-, Rs.14/- goes to sugarcane development fund.
- Sugarcane is taxed varyingly by different states.
- The retail price of Open market Sugar is Rs.18/- per kilo and the levy price of sugar is Rs. 13.50/- per kilo
- The Sugar industry operates on self generated renewable energy.
- The sugar industry has potential to produce 5000 MW of additional power for supply to the public, which is renewable and clean energy.
- 50 factories have so far gone in for Co-Generation of power with an installed capacity of approximately 700 MW.

### 3. SUGARCANE GROWERS PERSPECTIVE ON THE SUGAR CONTROL ORDER 1966 AND OTHER ECONOMIC & INFRASTRUCTURE ISSUES

#### SUGARCANE

##### 1. Statuary Minimum Price (SMP)

Clause 3 sub clause 1 of Sugarcane (control) order 1966, stipulate the following regarding fixing SMP

- a) the cost of production of sugarcane
- b) the return to the grower from alternative crops and the general trend of prices of agricultural commodities.
- c) the availability of sugar to the consumer at a fair price
- d) the price at which sugar produced from sugarcane is sold by producers of sugar and
- e) the recovery of sugar from sugarcane.

The criteria stipulated above regarding fixing MSP brings out the following irrationalities.

- 1.1. As per the above section sugarcane price is to be fixed on the basis of cost of production. Methodology followed by the CACP in fixing the sugarcane prices is not in accordance with the guidelines of the National Agriculture Policy. Wages considered by the CACP in fixing the cane prices is no where in proportion to the wages actually paid by the sugarcane growers. Further, family labour and land rent in real terms have not been taken in to consideration. Hence the CACP has to revise its methodology of estimating the cost of production of sugarcane.
- 1.2. According to the sub clause 1.b of the above stated clause minimum prices for sugarcane can be fixed by the sugar factories in regard to "the returns realized by the grower from alternate crops and the general trend of prices of the agriculture commodities" which is illogical. Crop duration, cost of cultivation and other infrastructure required for cultivation differ form crop to crop. Fixing of SMP for sugarcane based on the returns of alternate crops and the gneral trend of prices of agriculture commodities results in less remunerative prices for sugarcane growers.
- 1.3. Sub clause 1.c stipulate that the minimum price of sugarcane to be paid by the producer of the sugar or their agents for the sugarcane purchased by them in regard to "the availability of sugar to the consumer at a fair price". Providing sugar to the consumer at a fair price brings in considerable loss to the sugarcane grower and this stipulation is coming in the way of fixing sugarcane prices based on actual cost of cultivation.

1.4. Clause 3 sub clause 1.d of Sugarcane (control) order 1966 says that the SMP for sugarcane shall be fixed by considering the price at which sugar produced from sugarcane is sold by producers of sugar” has never been complied with. Whenever the market prices of sugar increase, that escalation in price is never been passed on to the sugarcane growers.

#### 1.5. Sugar Recovery:

Under the Clause 3 sub clause 1 e of the Sugarcane (control) order 1966 sugar recovery is also considered in fixing the SMP. Sugar recovery depends on the efficiency of the crushing and processing machineries. Most sugar factories in India posses outdated technologies while eventually affects suagr recovery. The Sugarcane (control) order 1966 should be amended by specifying the technology and machinery standards to arrive at the right recovery rates.

### 2.0 State Advisory Prices (SAP)

States announce State Advisory Prices (SAP) in addition to the Statuary Minimum Price (SMP) declared by Government of India i.e., additional price for the sugarcane growers. After 1996-97 the southern states have stopped declaring the SAP. But the Supreme Court verdict dt. 05-5-2004 empowered the states to declare SAP. Though the states announce SAP, sugar factories are evasive in paying the same to the sugarcane growers. Hence the State governments shall be empowered to fix the respective State Advisory Prices (SAP) in accordance to the local needs under the Sugarcane (control) order 1966 and it shall be obligatory on the part of sugar factories to extend the same price to the sugarcane growers.

### 3.0 Payment of cane prices

Clause 3 sub clause 3 of Sugarcane (control) order 1966 stipulate that the sugar factories shall pay the sugarcane growers within fourteen days from the date of delivery of sugarcane. But the sugar factories fail to pay the price within the time duration as specified under the Sugarcane (control) order 1966. Sugarcane (control) order 1966 should be amended directing the sugar factories to set apart 75% of the amount realized by the sale or pledge of sugar which could be used to pay the sugarcane growers.

### 4.0 Sugarcane directorate

The Sugar directorate deals with production of sugar and its distribution. Its role in addressing the issues related to sugarcane production is not pronounced. Sugarcane production involves several stages and needs variety of extension services at all levels. Therefore it is inevitable to have a separate directorate for sugarcane.

### 5.0 Authority at state level:

Agriculture being a state subject, it is necessary for the states to have an authority in addition to the proposed Directorate for sugarcane in the centre so as to safeguard the interests of the sugarcane growers. Sates Governments should be empowered to appoint an authority for the purpose by amending the Sugarcane (control) order 1966, to protect the interests of sugarcane growers.

## **6.0 By-products**

Further the sugarcane bagasse could also be used for manufacturing varied environment friendly byproducts. Hence, the Government of India should evolve a new policy by amending the Sugarcane (control) order 1966 for the manufacture, sale and export of such byproducts and the sugar factories with such facilities shall be directed to share the additional price realized with the sugarcane producers.

## **7.0 Co-generation**

The sugarcane bagasse can be effectively used in producing electricity (green power) which could solve the problem of rural electrification. Only few sugar industries are producing green power. It should be made mandatory for producing green power round the year by all sugar factories, by utilizing agriculture waste. Necessary methodology be evolved for providing financial assistance, power purchase policy and distribution.

## **8.0 Profit Sharing**

The recommendations of Bhargava Committee relating to sharing of profits generated from out of sugar and bio-products has not been implemented even after lapse of four years from the date of recommendations. The sugarcane growers are deprived of their rightful share in the profits generated by the sugar factories. Appropriate mechanism be evolved to arrive these 'L' profits every year, and distribute the same to sugarcane growers. The GOI should make this as mandatory and initiate steps to ensure that cane growers get their due share in the profits already earned.

## **9.0 Ethanol**

Studies conducted in Brazil, and other countries on the use of ethanol blends confirm that the blends provide better mileage to vehicles when compared to petrol. The Government shall bring in necessary legislation making the use of ethanol blended petrol compulsory. The present level of 5% addition of ethanol to petrol shall be increased to 20% which could eventually help the sugarcane growers in realizing better prices, as recommended by several committees.

## **10.0 Extension services**

The extension services play a crucial role in maintaining quality and quantity of sugarcane yields. But unfortunately, no staff are appointed by Government for looking after sugarcane development. Hence, trained sugarcane development officers be appointed to extend innovative and modern technologies to sugarcane growers.

## **11.0 Research & Development**

Individual farmers, in some of the states are obtaining higher yields ranging 300 to 350 MT for hectare. The research stations should study the methodology adopted for obtaining higher yields and help sugarcane growers to adopt such methodology and secure higher yields. Sugarcane research should evolve short duration, drought resistant, pest and disease resistant and high yielding varieties and novel cultivation practices like tissue culture and Poly bag nursery etc. The sugarcane growers are not receiving any help regarding innovative culture practices from the research stations. Therefore, the research stations should adopt the policies which will be helpful to the sugarcane growers for obtaining higher yields.



### **12.0 Invention of modern implements**

The sugarcane growers need several implements from sugarcane planting to harvesting. The implements required are seed treatment equipment, planter, inter-cultivation operations, earthing up, fertigation, spraying and harvesting etc. The efficiency of traditional implements delays completion of operations as well as increase in cost of cultivation, but the modern implements facilitate quick operations as well as reduced cost and increased yields.

### **13.0 Sugarcane Development Fund**

The "Sugarcane Development Fund" is intended for sugarcane development and modernizing sugar industries. Unfortunately the fund is utilized for modernizing sugar industries but not sugarcane development. Therefore, the sugar control order should stipulate the percentage of amount be spent on sugarcane development and sugar industries proportionately.

### **14.0 Field delivery of cane**

The sugarcane cutting and transport charges are born by sugar factories and field delivery is taken in the states like Maharashtra & Gujarat. This practice is facilitating both the sugarcane growers and sugar factories for reaping expected benefits. Hence, it should be made mandatory that all sugar factories take sugarcane delivery at the field level.

### **15.0 Protection of sugarcane from wild animals**

It is extensively reported that sugarcane crop is destroyed by wild animals in most of the states. The Governments should evolve necessary protection mechanism for protecting sugarcane from wild animals. Damage of sugarcane by wild animals be covered in the insurance schemes and farmers who suffer crop losses from wild animals be paid crop losses.

### **16.0 Ban on import of raw sugar**

The sugarcane growers are producing required sugarcane and sugar factories are producing sufficient sugar. Hence there is no need to import raw sugar. The import of raw sugar is working against the interest of sugarcane growers either in fixing Minimum Support Price (MSP) and sugar recovery ratio. Therefore it is suggested to ban import of raw sugar.

### **17.0 Provision of Credit & Crop Insurance**

The scale of finance being provided now for cultivating sugarcane is inadequate to cover all costs of cultivation. It should be increased to Rs.20,000/- per acre in order to cover all expenses involved in sugarcane cultivation, especially in view of sharp increase in the labour charges and inputs. In the absence of adequate finance the sugarcane growers are unable to provide all inputs required in time and hence yield of the crop is adversely affected. Interest rebate be allowed in the case of farmers who make repayment of loan in time. The banks are reluctant to advance crop loans for sugarcane cultivation as per scale of finance fixed wherever farmers have no tie up arrangements with sugar factories. The banks be directed to comply with the scale of finance fixed for sugarcane and provide loans without relevance to tie up arrangements with sugar factories.

The premium on crop insurance is on high side. It should be reduced and both the state and central governments should subsidize the insurance premium. The premium to be paid by sugarcane growers towards crop insurance premium be considered while computing MSP by CACP.

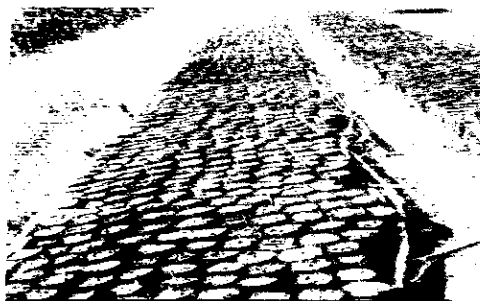
### 18.0 Drip Irrigation

Sugarcane is water intensive crop. The better yields depend on water management. The drip irrigation system not only helps saving of water but also supplies water to the sugarcane in time. Adoption of drip irrigation reduces water charges. However, erecting of drip involves huge investment. Therefore, the Government should provide 90% subsidy to the drip irrigation, irrespective of the category and ceiling on the subsidy amount.

## 4. INNOVATIONS IN SUGARCANE CULTURE PRACTICES

### Innovations in Sugarcane cultivation

#### Poly-bag nursery



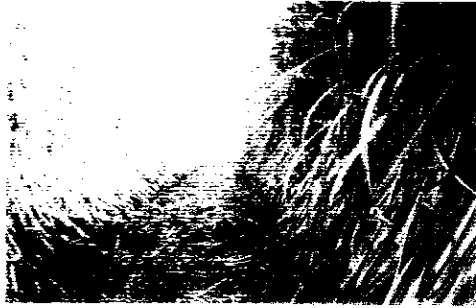
**Poly-bag nursery**

- In this technique seedlings are raised in perforated plastic bags of size 10x15 cms filled with FYM or pressmud, soil and sand at 1:1:1 proportion.
- Field establishment of the seedlings is about 95-99% as there is no damage to the root system.
- Poly bag technique brings down the seed material requirement by 75%

#### Chip-bud technique

- In this technique the bud along with a portion of the nodal region is chipped off and planted in raised bed nurseries of in polybags filled with FYM or pressmud, soil and sand at 1:1:1 proportion.
- Seed material required under this technique is only 1 to 1.5 tons and the cane after taking chips can be sent for milling.

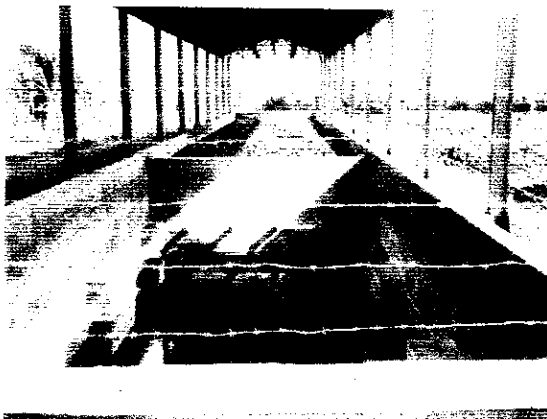
### Mechanical bending



#### Mechanical bending

- In this technique adjacent rows of growing canes are bent mechanically in the direction opposite to each other, thus the canes of one row acts as support for the canes of other row. Gap formed between each cluster of two rows helps in better aeration.
- Mechanically bent sugarcane crop does not require propping. **Better aeration leads to production of good quality canes.**

### Bio-fertigation



#### A Bio-fertigation tank

Bio-fertigation is the process in which the nutrients of poultry droppings/cow-dung are leached down in to a tank which when mixed with the irrigation water increases the nutrient availability, thus leading to increased yields.

## 5. ACTION PLAN FOR ADVOCACY AND POLICY CHANGES

The South Indian Sugarcane Growers Meet consisting Andhra Pradesh, Karnataka, Tamilnadu & Pondichery states would discuss the deficiencies in the Acts & Rules pertaining to sugarcane growers and sugar industry in the meeting scheduled to be held on 22<sup>nd</sup> & 23<sup>rd</sup> May 2006. About 400 delegates from Sugarcane Growers Associations, Experts, Scientists, Industry representatives and progressive farmers are expected to participate and interact on the agenda items.

It is planned to hold few more such meetings in the North and identify the issues coming in the way of sugarcane growing farmers and industry. The provisions of Sugar Control Order 1966 and other policies which are against the interest of farmers will be identified, discussed thread bare and specific action plan evolved for making advocacy and lobbying to bring pressure on the policy making authorities.

The representatives of CIFA, sugar industry and sugar commodity committees of different states together would meet the concerned Departments and Ministries and present Memorandums on the issues confronted by Sugarcane Growers and Sugar Industry. This kind of lobbying and advocacy facilitate the policy makers and bureaucrats to understand the problems confronted by sugarcane growers and industry and take decisions protecting the interest of farmers.

***"Trade increases the wealth and glory of a country;  
but its real strength and stamina are to be looked for  
among the cultivators of the land"***

**- TIRUKKURAL & LORD CHATHAM**