MEMORANDUM SUBMITTED

TO

CONFEDERATION OF INDIAN FARMERS ASSOCIATIONS

Pre-Budget Discussions

December 15-19, 2005 at IARI, New Delhi

Kind Attention to: P.V. SUBBAH CHOWDHY
Advisor
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by

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Issues raised at the Pre-Budget Discussions

Regarding Policy Reforms - Sugar cane Price should be guaranteed by Central Law.

Every year the Central Government is announcing Statutory Minimum price (SMP) for the Sugar cane under section 3 sub clause 1 of sugar cane (control) order 1966, uniformly applicable to all states. This announced SMP may be enough for the sugar cane in some states, but, in all other states, due to various reasons, it may not be enough and some more additional price has to be fixed according to the actual cost of the sugar cane there prevails. Therefore, in the Sugar cane (Control) order 1966 itself, under section 5A, the states have been sub delegated or in other words, states have been empowered to announce additional price as State Advisory Price (SAP).

In the above two prices only the SMP announced by the Central Government is guaranteed by the law that the sugar factories have to pay this SMP within 15 days from the date of the supply of the sugar cane to the factory. But, this is not so for the SAP. Even for this guaranted price (SMP), when the Central Government announced the revised SMP during the 2002-03 season year and SMP during the 2003-04 some factories have gone to their High courts that they are not liable to pay this announced price (SMP) but now, as per the court’s decisions, this is settled law that they have to compulsorily pay this Central Government announced price (SMP).
As far as the State Advisory Price (SAP) is concerned, taking advantage of the vague framing of law, under section 5A of the Sugar cane (Control) order 1966, the sugar factories are denying to pay this State Advisory Price (SAP) right from the year 1998-99 season. The South Indian Sugar Mill Association (SISMA) and other sugar factories have fought in their State High courts and finally in the Supreme Court of India and only there, on 05.05.2004 a finality was given by the Full Bench of the Supreme court that the States are empowered to announce the State Advisory Price (SAP). Now, the above decision of our Supreme court of India has become a 'judge made law'. Hereinafter, the sugar factories cannot agitate that the states have no power to announce State Advisory Price (SAP). But, this is not enough, since, due to some political reasons, the State Governments may or may not announce this price (SAP) and there is no compulsion by the Sugar cane (Control) order 1966 that the State Governments should compulsorily announce this price (SAP) and what will happen to the farmers when this State Advisory Price has not been announced by the State Governments. The farmers cannot knock the doors of the court for this remedies and the courts also helpless, when there is no specific provision under law, that the State Governments should announce this price (SAP) and therefore the court cannot give any direction to the State Governments to announce this price (SAP).

Therefore, now, the time has come to amend the Sugar cane (control) order 1966 that the Statutory Minimum Price (SMP) under section 3, means and includes two prices announced by both the Central and State Governments, firstly the Central Government, so
as to apply to whole India and secondly, by the respective states so as to apply to its whole state. Here, there may be also an option to the State Governments, that if a particular State Government thinks as per their agricultural advisory committee report, that the First Statutory Minimum price announced by the Central Government is adequate, then that State Government can simply ratify the First SMP announced by the Central by its separate notification stating that this is its Statutory Minimum price (second SMP) and if that State Government thinks as per their agricultural advisory committee report, that the first SMP announced by the Central Government is not adequate, then that State Government has to announce additional price and this is, accordingly the second SMP to its farmers.

From the 1998-99 season year, i.e. for the fast 7 years the Sugar cane cultivating farmers have suffered much and they have not yet received the State Advisory Prices (SAP) accumulated to crores of rupees and therefore, the law should be amended suitably to the effect that both Central (firstly) and States (secondly) are having power to announce their respective SMPs so as to enable the sugar cane cultivating farmers to get their due price for their produce, the sugar cane.
CONFEDERATION OF INDIAN FARMERS ASSOCIATION, NEW DELHI.

Issues raised at the Pre-Budget Discussions

Regarding Policy Reforms - Sugar cane price fixing Policy.

1) The Central Government, nearly for the past 40 years, after passing of the Sugar cane (Control) order 1966, in exercise of the powers conferred by section 3 of the Essential Commodities Act 1955, is fixing the Statutory Minimum Price (SMP) for the Sugar cane, to be paid by the Sugar factories to the Sugar cane growers. While fixing the price of the Sugar cane after considering the various factors like cost of production of Sugar cane, the return to the grower from alternative crops and the general trend of prices, the price at which sugar produced from Sugar cane is sold by Producers of sugars and the recovery of sugar from Sugar cane, the price is fixed. The above said Sugar cane (Control) Order 1966, was passed in the year 1966 and at that time, only product obtained from the Sugar cane is sugar. Therefore, the framers of above order, has considered and mentioned the only product, Sugar under section 3(1)(d) of the above said order as, ‘the price at which sugar produced from Sugar cane is sold by Producers of sugars’, for fixing the price of the Sugar cane. The other products from the Sugar cane were not considered for fixing the price, since they were considered as wastes at that times. But during past 40 years, the science has so advanced and there are numerous inventions in all fields. Now, each and every out come from the Sugar cane crushing is a product and all these by-products, like Molasses, bukkas and Ethanal are sold in the markets by the Sugar Mills and
even the Sugar cane trash and cow dungs left by the bullocks of the tyre carts in the Mill site were also sold by the Sugar Mills for higher rates. The Molasses is used for the production of spirit, the bukkas is used for the production of paper and as well as fire wood for co-generation of Electricity by the Sugar Mills and the Ethanal is used in Chemical Industries and as well as for mixing with Petrol for the Motor Vehicles.

Therefore, all the prices of the above said products have to be considered while fixing the Sugar cane price and for that the Sugar cane (Control) order 1968, section 3(1)(d) has to be suitably amended to include along with the product of sugar, the other new products, Molasses, Bukkas and Ethanal produced from the Sugar cane and sold by the producers of the above said products.

2) For fixing the sugar cane price as per section 3(1)(e) of the Sugar cane (Control) Order 1968, for the recovery of Sugar from Sugar cane, so far peak recovery (in the months December, January, February and March) is considered, but during the 2004-05, the Central Government has deleted this peak recovery basis and introduced the average recovery basis (all the months of the crushing season, during which the Sugar Mill has crushed the Sugar cane). Because of this alteration, only the Sugar Mills are profited and there is a huge loss to the Sugar cane growers.

For example: In the State of Tamil Nadu

<table>
<thead>
<tr>
<th>Year</th>
<th>Recovery Rate</th>
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<tbody>
<tr>
<td>2003-04 peak recovery</td>
<td>10.1%</td>
</tr>
<tr>
<td>2003-04 average recovery</td>
<td>9.9%</td>
</tr>
<tr>
<td>The differential recovery</td>
<td>0.2%</td>
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2004-05 (SMP) Sugar cane price is Rs.745/M.T. for 8.5% recovery and Premium price is Rs.0.88/Quintal. For 0.2% can price is Rs.17.60. During 2004-05 season, total crushing of sugar cane is 115 lakhs. The Sugar cane Grower's loss during the 2004-05 season Per MT is Rs.17.60.

Total loss to the farmers of Tamil Nadu is at Rs.20.24 crores. This is the case for all the Sugar cane growers in other states also. Therefore, as done earlier, the peak recovery has to be followed and new policy of following the average recovery has to be abolished.

3) The Central Government has recently announced its policy change for fixing the Sugar cane price as per Section 3(1)(e) of the Sugar cane (Control) Order 1966, for the recovery of Sugar from Sugar cane, instead of following 8.5% recovery basis, it has announced 9% recovery basis for price fixing. This is an another blow to the Sugar cane growers and a boon to the Sugar Mill owners. Because of this policy change only the farmers have suffered.

For example: the SMP announced for 2005-06 season is Rs.795/MT and Premium price is Rs.0.88/Quintal.

Tamil Nadu average recovery for the 2004-05 season is 9.7% (Since the average recovery basis is in force we will also follow the same basis for this calculation)
and therefore, if the recovery basis of 8.5% is followed then the price of the Sugar cane will be Rs.900.60

and if the newly announced recovery basis of 9% is followed, then the price of the Sugar cane will be Rs.856.60

The Cane Grower’s loss during the 2005-06 season/MT is Rs. 44.00

The expected Sugar cane for the 2005-06 crushing season is 120 lakh MT. Therefore, a loss to the farmers will be at Rs.52.8 crores.

Hence, as done earlier the 8.5% recovery basis has to be followed and new policy of following 9% recovery basis has to abolished.

4) For the fixation of Sugar cane price, the recovery and weighment of Sugar cane is monitored in the Sugar Mills, by the authorised persons of the Government. To give an effective watch over the recovery and weighment of Sugar cane in the Sugar Mills, a Panel, consisted of the representatives from farmers or from the Farmers’ Association, the authorised person by the Government and some other persons of having technically qualified from other independent institutions have to be constituted to look into the recoveries and weighment of the Sugar cane in the Sugar Mills.
CONFEDERATION OF INDIAN FARMERS ASSOCIATIONS, NEW DELHI

Sub: Issues raised for Pre-Budget Discussions.

Regarding Paddy Procurement and Price:-

The Central Government is announcing every year, the minimum support price for the Paddy. The announced price for the 2004-05 season year is at Rs.600/- for fine varieties and Rs.570/- for other varieties. On the basis of this price, the State Governments, on behalf of Central Government, Procuring the paddy from the farmers and sending them to the Food Corporation of India’s storage godowns.

The Policy norms fixed by the Central Government for the Procurement is, that the paddy brought up by the farmers should not contain, not more than 1% organic contents and 1% inorganic contents with it. The damage and change of colour should not exceed to 3%. The unripeness and shrinkingness of the paddy should not exceed 3%. The impurity should not exceed 8% and finally the moisture content should not exceed 17%.

When the above norms are followed strictly, no farmer can sell his produce to the Government under the Paddy Procurement scheme, since, at times the farmers are facing practical difficulties in harvesting the Paddy due to varied season and unpredictable monsoons and their inability to store their produce in their houses. Further, now a days, we are having technically improvised and computerised Modern Mills to sort out the Paddy from the above
said unwanted materials and impurities. So the farmers should not be burdened with the extra measures to clean the Paddy, like cleaning it for the seed forms. Therefore, in applying policy norms for procurements, there should not be any rejection on the part of the officials and every bag of paddy brought up by the farmers from their threshing floors should be accepted, of course, there may be some price reduction be allowed, while making payments to such paddy.

The regulated marketing committees were established so as to enable the farmers to sell their produces for the normal and accepted price and without falling as a prey in the hands of the unscrupulous paddy merchants, but even in this committee also, the said paddy merchants had sneaked into it and in an organised way among the merchants, they are buying the farmer’s produces (here the paddy) for a low price than the price fixed by the Government. Why this variations? What is the way to be looked into and the measure to be implemented in a way that the farmers should not be cheated by the said paddy merchants. For example, the price for the fine variety (Ponny) is at Rs.1000/- per quintal but this variety will be sold by the farmers at Rs.500/- during the January, February months in the regulated committees. Such is the miserableness of the farmers, while they are selling the paddy at the regulated committees. Therefore, there should be any guidelines to the paddy merchants strictly followed at the regulating committees, that they should pay the price impar with the price fixed and paid by the Government.
CONFEDERATION OF INDIAN FARMERS ASSOCIATIONS, NEW DELHI

Sub: Issues raised for Pre-Budget Discussions.

Regarding Crop Insurance Claims:

Under the Crop Insurance scheme, usually, the Nationalised Banks and the Primary Agricultural Co-operative Banks, after issuing the crop loan amounts to the farmers, they are adding in the farmer’s account 2.5% of the loan amount as insurance premium amount to be paid to the National Insurance Scheme. The majority of the farmers does not know that their crops are being insured. If there is any damage to their crops they will simply accept the brunt of the nature and they will not approach the bank or the Insurance body so as to mitigate the loss to their crops.

Normally, a vehicle owner, who has insured his vehicle for a meagre amount of Rs.300 or 400, are getting their Insurance Policy agreement from their Insurers, but the farmers who are insuring their crops for thousands of rupees, do not get any Insurance policy agreement or even they do not know that their crops are insured.

Likewise, the broiler chicken which is having the life time of only 45 days, when it dies due to any disease, the owners are getting the Insured amount from their Insurance company, on the other hand, the farmers do not get any amount and they have to run from Pillair to Pillair to get their insurance amount.

For the fast 2002, 2003 and 2004 years, the Tamil Nadu has met with severe draught and this state has also been announced as draught hit state and the land taxes have also been waived by the State Government and further some interest relief has also been
given to the crop loans obtained by the farmers, but the farmers have not receive any Insurance amount from the Insurance body.

The farmers who has been hit by the Tsunami and lost their crops and their lands once cultivable lands, now cannot be retrieved for future cultivation, due to 1 foot sand brought up by the Tsunami waves, have not yet received their Insurance scheme amount.

Even now, the Tamil Nadu farmers have met with another natural calamity of heaviest down pour, so far the Tamil Nadu has not had such heavy down pour for the fast 65 years, and what will happen to them and how they are going to mitigate their losses are not known to them.

The farmers do not know the fate of the premium amount paid by them through the Banks and the Insurance body created by the Central Government is also not acts as honestly to make the Payment of Insurance amount to the affected farmers. Such is the setup, i.e., in between the Insurer and Insured (the farmers) there is a middle man (the Banks) and there are so many formalities and the farmers (the Insured person) cannot individually approach their Insurers immediately when they are affected.

To avoid all this anomaly, the farmers should be let off freely to choose their Insurance companies to insure their crops or the banks should provide firstly, the Insurance Premium receipt for the amount received and secondly as soon as possible, the Insurance Policy agreement to the farmers, after getting it from the concerned Insurer of the crops, so that the farmers are able to claim the compensation amount directly, when they are affected.
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Sub: Issues raised for Pre-Budget Discussions.

Regarding Agricultural Credit Policy at the time of Natural Calamities:

The State of Tamil Nadu has recently met with an unprecedented rainfall that has not taken place in the last 65 years of Tamil Nadu history. In the 22 Districts, due to heavy flood, the roads are eroded and damaged, the river bunds and the lakes have breached, the bridges in the roads have damaged and the water has inundated in all over the villages, towns and in the agricultural fields and there were no demarkation in between the fields and lakes and the loss to the farmers are to the extent of crores of rupees by way of damage to their houses, house hold materials, clothes, stored paddy and grains and to their crops.

At these times of such natural calamities, the Central Government should come forward to wipe out the crop loans entirely issued to the farmers and the new crop loans has to be issued to the farmers as 'long term' loans at lower rate of interest.

The previous loans, as per the Central Government and Nabard guidelines, has been converted from short term loan to long term loans for 5 years by the State Government and these loans also threatening and hanging like a sword of domacles over the heads of farmers and the farmers are not in a position to repay and often they think of committing suicides and therefore, these loans also has to be completely wiped out so as to save the farmers. (For these converted loans, the Tamil Nadu State Government has already given relief by way of interest waiver to the tune of Rs.645 crores through the primary Agricultural Co-operative Banks, but the Central Government has not given any such relief through the Nationalised Banks to the farmers).
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Sub: Issues raised for Pre-Budget Discussions

Regarding Policy reforms Agriculture as an Industry:

The Indian population is mainly consisted of the agriculturists i.e., 75% of its total population, but the funds allocation to the agriculture sector, at that time of budget, is only for 2%. The Nationalised Banks also not so much interested in issuing loans to the farmers and this is evident from their loan advances to various sectors and the agricultural loan advances have not exceeded to 11% of their total advances.

But the Industries are looked in other way, for example, the previous NDA Government has issued loans to the Sugar Industries to the tune of Rs.2400 crores at the lower rate of interest and the present UPA Government has also issued to the Sugar Industries, during the previous year, the loans to the tune of Rs.1600 crores at the lower rate of interest. The Tamil Nadu Government has also, on its part, has issued the loans through the TIIC, to the tune of Rs.216 crores to the Sugar factories, at the lowest rate of 3.75% interest and the service charges to the tune of Rs.0.25% and totalling 4%.

For the sick industries, the Government announcing some packages of converted loans at the lower rate of interest and for the new industries, issuing free lands, the lower rate of electricity consumption charges and tax exemption are also given. But the Agriculture sector is neglected and no relief packages are coming
to the farmers impar with the relief packages given to the Industries, when they are needed. The interest for the agriculture advances also at the higher rate of 9% to 14% interest. The only solution to all these grievances of the farmers is to announce and treat the agriculture is also as an industry and so that the farmers can avail the facilities given to the Industries.