UNSTABLE POLICIES OF GOI THROWN THE SUGARCANE FARMERS INTO CRISIS

- Non implementation of recommendations of various committees.
- Non arrival and payment of "L" profits to sugarcane farmers.
- Non compliance of the provisions of sugarcane control order 1966.
- Unstable sugar export policy.

CONSORTIUM OF INDIAN FARMERS ASSOCIATIONS
CONSORTIUM OF INDIAN FARMERS ASSOCIATIONS

AIMS & OBJECTIVES

1. Develop India as an Agricultural Super Power.

2. Network Farmers Associations and Establish National / State Organizations.

3. To get Budget allotments in proportion with Farmers Population.

4. Democratic - Decentralization of Panchayats, Cooperatives, Market Yards, WUA.

5. Farmers as Empowered Knowledge Workers.

6. To secure for the Farmers, Economic growth and Social Security.

7. To develop Agri-Culture as Agri-business.

8. To modernize Agriculture with the help of mechanism I.T. and Biotechnology.


10. To work in association with the CII, ASCI, MANAGE & ICRISAT.
FOREWORD

The CIFA, New Delhi, has conducted National Farmers conclave (Pre budget discussions 2007-2008) at New Delhi on 2nd and 3rd December, 2006. During the process of deliberations the farmers of various states formed into commodity interest groups and discussed the problems confronted at GOI, State Government and private sector levels. Commodity Interest Group for sugarcane was formed.

The National sugarcane CIG held detailed discussions on the problems of sugarcane farmers, documented the issues and presented memorandum to the GOI. The issues identified have been included in the booklet published by CIFA in the name “Why Indian Farmers are angry?”. This booklet updates the status in the matter.

Shri K. Prbhakara Reddy, Convenor, National sugarcane CIG, and Shri. P.V.Subbaiah Choudary, Adivor, CIFA visited Gujarat, Maharashtra, Haryana, Uttar Pradesh, Tamilnadu and Karnataka, held discussions with sugarcane farmers, reviewed current situation and made presentation before CACP on 16.07.2007 on the irrational policies adopted in fixing SMP to sugarcane. The Sugarcane CIG with sugarcane farmers of other states called on Shri. Sharad Pawar, Hon’ble Minister for Agriculture and presented a memorandum for redressing the grievances of sugarcane farmers. He has readily agreed to appoint a committee to look into the issues presented by CIFA. The Hon’ble Minister has appointed an expert group headed by Dr. Vijay Kelker on the issues presented by CIFA.

CIFA gratefully acknowledges the efforts made by sugarcane CIG in bringing pressure on GOI for redressing sugarcane farmers grievances.

I am hopeful that other CIGs also would exert and organize pressure on the lines of sugarcane farmers.

Place : Hyderabad
Date : 28.11.2007

P. Chengal Reddy
Secretary General
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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. 1,60,000 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 486 sugar factories working (maximum in the cooperative sector and the rest in the public and private sectors).
- The average capacity of each factory is 3500 tons 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 22 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 an 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/- per quintal. 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.
CIFA INTERVENTIONS WITH CACP REGARDING NON COMPLIANCE OF PROVISIONS OF SUGAR CANE CONTROL ORDER 1966

1. Statutory 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.a. As per the above proviso 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.b. According to the proviso 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 from crop to crop. Fixing of SMP for sugarcane based on the returns of alternate crops and the general trend of prices of agriculture commodities results in less remunerative prices for sugarcane growers.

1.c. The Proviso 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.d. As per the proviso 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.e. Under the Proviso 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 sugar 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 Statutory 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. State 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 products. 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 
have not been implemented even after lapse of five 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 Policy

Ethanol blending has assumed significance throughout the 
world, not only in view of the spiraling crude oil prices but 
also being an excellent oxygenate and octane booster. The 
Brazil and USA are adopting a policy of 20% doping ethanol 
with petrol for the last several years. The GOI should adopt a 
policy of doping at least 10% ethanol with petrol forth with. 
The GOI should adopt liberal policy for taking up the 
programme expeditiously by sugar factories. Simultaneously 
the automobile industry be suitably advised.
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. Long Term Export Policy

The import and export policies have no relevance with demand and supply. Abrupt imposition of ban on sugar exports by GOI during 2006 thrown the entire sugar industry into acute crisis. The unstable policies resulted accumulation of sugar stocks discouragement for fresh crushing by sugar factories and farmers resorting committing suicides. Long term import and export policy be evolved with a view to protect the interest of sugarcane farmers, industry and safeguarding the credibility in the world market.
18.0 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.

19.0 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.

20.0 Constitution of coordination committees, consisting of farmers and managements of sugar factories, at National and State levels to sort out the issues of common interest.
IMPROVED SUGARCANE PRODUCTION TECHNOLOGIES
(Innovations in Sugarcane cultivation)

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
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

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.

Technology transfer: Research and Development in sugar sector should concentrate on the following issues and quick transfer of technology from lab to land.

Quality of seed tests: With exception of a few progressive growers, majority have no option but to use whatever planting
material that is readily available for planting. The seed tests are often selected from immature or diseased crop, inadequately manured crop or from any source. Not much attention is bestowed upon the very important aspect of seed treatment, which results in poor crop.

**Late planting:** January-February is the most ideal time for planting sugarcane under conditions. This is not only due to climatic considerations but also to facilitate adequate fertilization before the onset of monsoon. But due to various reasons, Sugarcane in India is planted as late as May. Such crop neither can be adequately manure nor receive the congenial climate for initial growth. This results in poor crop.

**Soil fertility:** Soil is the storehouse of nutrients. Its morphological, organic and chemical fertility has to be understood. The soils of India are inadequate in humus content. Hardly 20-25 per cent farmers use organic manures. Continuous use of chemical fertilizers alone slowly deteriorates the soils. The water holding and retaining capacity of soil have to be restored by use of organic manures. Soils poor in organic content cannot withstand water stress and results in poor growth of cane and the yield.

**Neglected ratoons:** About 70-75 percent area as under sugarcane in India is under ratoon crop. Though it is a fact that ratoon has many advantages and yields more than the plant crop, neglected ratoons have resulted in poor yields and low quality cane, which has a direct bearing in the overall production and recovery.

**Inter-culture:** This is a very important agronomic operation done in between the interspaces which includes weeding, hoeing, mulching and finally earthing-up. Due to unavailability of bullock drawn interculture implements locally, lack of
herbicide usage etc., no farmer generally does adequate interculture. Due to this, the roots do not draw sufficient nutrients and weeds cause 60-70 percent losses both in quality as well as quantity of cane produced.

**Plant protection:** Not much attention is paid to the various insect pests and diseases that infest sugarcane crop in. Spraying of crop is seldom undertaken due to practical difficulties. This has also attributed to the losses in yield and cane quality.

**Extension strategies to increase cane production:**
Wide gap between the research and its reach to sugarcane farmer. Research results should reach the farmer quickly. High yielding, short duration and draught resistant seed coupled with tissue culture and poly bag nursery, SRI cultivation etc both in public and private sectors be encouraged. Success stories on higher yields of sugarcane be studied by scientists and replicated in other areas. Training programmes be conducted for sugarcane growers from the stage of planting to harvesting. Organic and Natural farming be encouraged with necessary incentives.

All sugar factories should convert its pressmud as bio-fertilizers No extension services. They should be strengthened. Research be concentrated on inventing innovative culture practices to conserve water and contain cost of cultivation. Awareness be created among sugarcane farmers for adopting SRI cultivation through extension services. Sugarcane crop damage of 25% to 80% by various wild animals is reported. The research should concentrate on the measures to protect the crop from wild animals. Research and extension should work in co-ordination with sugarcane farmers and industry with mandatory provisions. The research should also suggest measures for developing sugarcane extension systems.
To
Shri. N. Gopalaswami,
Chief Election Commissioner,
Nirvachan Sadan,
Ashoka Road,
New Delhi - 110 001.

Respected Sir,

Sub:- According permission to Government for implementing relief incentives announced for sugarcane farmers and sugar industry - Requested - Reg.

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.

The Chief Election Commissioner is aware that agriculture sector is in acute crisis. Lakhs of farmers have resorted for committing suicide, due to unstable policies of the government.

In this context, I wish to bring to the CEC notice that sugarcane industry is the second largest Agro based industry in India, next to cotton textiles. About 50 million farmers and their
dependence are involved in sugarcane cultivation. 0.5 million skilled and semi skilled workmen mostly from rural areas are engaged in sugar industry. There are 425 sugar factories working in the country. The industry distributes over 65% of its revenue in the rural area by the way of crane price to the farmers. Unstable policies of the government for the last 2 years thrown the sugar industry into crisis. This has direct bearing on the sugarcane growing farmers.

There was encouraging production of 18.9 Mlt sugar in 2005-06 coupled with a carry over stock of 4.825 Mlt, while the demand was only 18.5 Mlt. The production from the following season was expected about 24 Mlt.

On the prices front there was no major concern. The domestic retail prices were around Rs.22 a Kg. During that period the global prices were ruling high at around $ 418 a tonne on FOB basis. At that stage, on July 4th, abruptly, the Government imposed ban on export of sugar and the sugar industry was prevented from obtaining lucrative price. The short sighted decision not only affected the industry but also thrown the sugarcane farmers into crisis.

Bumper sugar crane harvest is reported during the current season. The sugar crane out put is also estimated to be abnormally increased. But sugar factories are reluctant to extend the crushing season due to the losses suffered consequent on imposing on ban on export of sugar and also anticipated lesser recovery rate due to prolonged period of crushing. The sugar crane is a long duration crop and farmers made higher investment. At this stage if sugar factories refuse to crush sugar crane, the farmers will be put to irreparable losses.
The CIFA, as National level organization represented the mater to government for reviewing the situation and offering incentives to the sugar factories to enable to extend crushing season and provide relief to the farmers. The government have responded and agreed to provide incentives to the sugar factories with a view to safe guard the interest of sugarcane growers. However, the government have approached the CEC for implementing the above decision in view of Uttar Pradesh elections.

In this context, we wish to inform that economic conditions of lakhs of farmers is depending on the decision of the government. If implementation of the decision is stalled in view of Uttar Pradesh elections the sugarcane farmers as well as industry will be put to irreparable losses amounting to thousands of crores of rupees.

In view of the above we request the CEC to kindly consider the issue in the interest of farmers and permit the government to implement the decision taken for providing incentives to the sugar industry to safe guard the interest of lakhs of sugarcane farmers.

Thanking you,

Yours faithfully,

(P. Chengal Reddy)
Secretary General
CIFA, SUGARCANE FARMERS OF VARIOUS STATES
INTERACATION WITH SHRI. SHARAD PAWAR


To,
Shri Sharad Pawar Ji,
Hon’ble Minister of Agriculture,
Government of India,
Room No.120, Krishi Bhawan,
NEW DELHI - 110 001.

Respected Sir,

Sub: Sugarcane Price Policy for the 2008-09 season - CACP Meeting with farmers organization-Reg.

The Hon’ble minister is aware that SMP fixed for Sugarcane plays crucial role in the economic conditions of the Sugarcane farmers.

The CACP. recommends SMP based on the cost of cultivation particulars obtain from various sources including farmers organizations. But, in practice the details of actual costs incurred by Sugarcane farmers is ignored and irrational particulars furnished by other agencies are considered.

In this context, the CACP has called for a meeting of farmer’s organizations for inter-acting on the sugarcane price polocy for 2008-09 season. The Consortium of Indian Farmers Associations (CIFA), New Delhi represented by National
Sugarcane Commodity Council presented the problems confronted by sugarcane farmers, particularly the methodology adopted for obtaining cost of cultivation particulars from various sources. The issues brought to the notice of CACP are incorporated for perusal and ready reference (Issues are at page 4 to 10 and 25 to 28).

The Hon'ble Minister may observe from the issues annexed to this letter that there is no transparency in the particulars obtained, analysed by Directorate of Economics and Statistics and adopted by CACP.

Further, we also request the Hon'ble Minister to favorably consider other policy issues submitted for perusal and also initiate necessary action for disposal of surplus sugar stocks, so that sugarcane farmers can confidently take up sugarcane cultivation in future and interests of all stake holders can be safe guarded.

We request the Hon’ble Minister to please use his good offices for deleting the provisions of sugarcane control order 1966, which are irrational and coming in the way of fixing remunerative price to sugarcane by CACP.

With Regards

Yours Faithfully,

(K. PRABHAKAR REDDY)
Convenor,
National Sugarcane Commodity Council
CONSTITUTION OF GROUP OF EXPERTS FOR DEVELOPMENT OF SUGAR SECTOR HEADED BY DR. VIJAY KELKAR
No.1 (5)/2007-SP
Government of India
Ministry of Consumer Affairs, Food and Public Distribution
Department of Food and Public Distribution

OFFICE MEMORANDUM

Sub:- Constitution of Group of Experts for development of Sugar sector

In pursuance of the decision of the Government dated: 24th March, 2007, it has been decided to set up a Group of Experts to examine various options available for the growth and development of the sugar economy and to suggest a blue print of the action, consisting of the following persons.

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<th>Dr. Vijay Kelkar</th>
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<td>Ex-Secretary (Finance) and presently Chairman, IDFC Private Equity Co. Ltd., Mumbai.</td>
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<td>Shri S.K. Tuteja,</td>
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<td>Ex-Secretary (Finance) and presently, Chairman, Central Warehousing Corporation, August Kranti Marg, New Delhi.</td>
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<td>Chairman, Commission on Agricultural Costs and Prices, Krishi Bhawan, New Delhi.</td>
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<td>Dr. Ashok Gulati,</td>
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<td>Director in Asia, International Food Policy Research Institute, New Delhi.</td>
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<td>Dr. Ajit Ranade,</td>
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<td>Chief Economist, Aditya Birla Group, Mumbai</td>
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<td>Joint Secretary (Sugar &amp; SA)</td>
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The terms of reference of the Expert Group are as follows:

i. To study the present state of the sugar economy of India and to develop short, Medium and long term perspective plans for strengthening it in the context of the emerging National and International Scenario and the requirements of the food security of the country.

ii. To Study the existing regulations and controls over sugar industry and sugarcane farming and to suggest measures for deregulation.

iii. To suggest ways and means to optimize the usage of by-products of sugar industry such as bagasse and molasses in the context of emerging market opportunities, particularly, in cogeneration and energy sector.

iv. To examine aspects such as water, fertilizer and energy usage in sugarcane cultivation and to suggest ways to bring
about economies in their usage and to improve farm productivity, recovery of sugar and net income of farmers.

v. To study the existing crushing and refining capacities and recommend their augmentation keeping in view domestic consumption and opportunities for export of sugar.

vi. To examine possibilities such as production of refined sugar/alcohol/ethanol directly from sugarcane juice to reduce cost of production and increase production of alcohol/ethanol in years of surplus production.

The Expert Group may at any stage co-opt any other person as its Member, if it is considered necessary.

The Expert Group will submit its report within 6 months.

The entitlements of Dr. Vijay Kelkar, Chairman, Shri. S.K. Tuteja, Member, Dr. Ashok Gulati, Member and Dr. Ajit Ranade Member for the purpose of TA/DA for domestic travel will be of secretary to the Government of India. The TA/DA and also all claims of Chairman and Members will be paid by the Directorate of Sugar. All other Members of the Group will draw TA/DA as per their entitlements from their respective organizations.

The meetings of the Expert Group will be held as per the convenience of the Chairman.

(R.P. Bhagria)
Chief Director (Sugar)
Tel: 23383760
MEMORANDUM SUBMITTED TO DR. VIJAY KELKER, 
CHAIRMAN, EXPERT GROUP FOR DEVELOPMENT 
OF SUGAR SECTOR ON 9TH OCTOBER, 2007 
DURING HIS VISIT TO BANGALORE BY CIFA

At the outset, the Federation of Farmers Associations (FFA), 
Hyderabad invites your appointment as Chairman, Expert Group 
for sugarcane development. The meetings organized by you, 
quickly, exhibit your anxiety on the problems confronted by 
sugarcane farmers and sugar industry. We are sure that your 
experience as Secretary, Finance, GOI and your outlook over 
agriculture development would facilitate to pull out sugar 
sector from existing crisis.

You are aware that sugarcane industry is the 2nd largest Agro 
based industry in India, next to cotton textiles. 50 million 
farmers & their dependents are involved in sugarcane 
cultivation. And about 0.5 million skilled & semi skilled workmen 
mostly from rural areas are engaged in sugar industry.

There was encouraging production of 18.9 million tonnes sugar 
in 2005-06 coupled with a carry over stock of 4.825 million 
tonnes, while the demand was only 18.5 million tonnes. The 
production from the following season was expected about 24 
million tonnes.

On the prices front there was no major concern. The domestic 
retail prices were around Rs.20 a kg. During that period the 
global prices were ruling high at around 418 dollars a tonne on 
FOB basis. At that stage during July,2006, abruptly, the GOI 
imposed ban on export of sugar and the sugar industry was 
prevented from obtaining lucrative price. The short cited 
decision not only affected the industry but also thrown the 
sugarcane farmers into crisis.

Bumper sugarcane harvest is reported during the current season. 
The sugarcane out put is also estimated to be abnormally 
increased. But sugar factories were reluctant to extend the 
crushing season due to the losses suffered consequent on 
imposing ban on export of sugar and also anticipated lesser 
recovery rate due to prolonged period of crushing. The 
sugarcane is a long duration crop, farmers made higher 
investment, sugar mills were reluctant to continue crushing
operations and the sugarcane farmers resorted for committing
suicides in the States of Andhra Pradesh, Karnataka, Maharas tra
and Madhya Pradesh.
As desired by the Expert Group we suggest the following
action points for rehabilitating sugarcane farmers and sugar
industry.
ISSUES PERTAINING TO SUGARCANE FARMERS
1. An action plan be evolved for making payments to
sugarcane farmers who supplied sugarcane to sugar mills.
2. "L" profits pending declaration from the year 2003-04 may
immediately be declared and payments effected to
sugarcane farmers.
3. Irrational provisions of sugarcane control order 1966 which
are coming in the way of fixing remunerative price to
sugarcane should be deleted.
4. Confronted by various problems, the sugarcane farmers
suffered huge losses and unable to repay the bank loans.
Therefore, the interest payable on sugarcane production
loans be waived and principle amounts rescheduled
facilitating repayments in the ensuing 5 years.
5. Due to increase in the wages of agriculture labour cost of
harvesting has been abnormally increased. Hence
innovative agricultural implements be provided to farmers
on subsidized rates.
6. The sugar mills in Maharashtra and Gujarat are taking field
delivery of sugarcane. The sugarcane farmers of other
States incurred huge expenditure towards harvesting and
cutting charges. The GOI should organize payment of
harvesting and transport incentive amounting to minimum
of Rs.250/- per tonne.
7. The sugarcane farmers should be provided loans from
sugarcane development fund by simplifying loaning
procedures.
8. The sugarcane price be fixed based on the actual cost of
cultivation by adding minimum 50% of the actual costs
incurred as recommended by Professor. M.S.Swaminathan,
Chairman, National Commission on farmers.
9. As per provisions of sugarcane control order 1966 the
payments should be made to sugarcane farmers within 14
days from the date of supply of sugarcane to the mill. This provision has not been complied and farmers are required to wait longer periods for payments. In such a situation, the sugar mills should pay interest for the delayed period to the sugarcane farmers.

10. Some of progressive sugarcane farmers are obtaining a yield of 100 tonnes, per acre, by adopting innovative culture practices. Sugarcane extension services should be strengthened and programmes initiated for replicating such established innovative culture practices.

11. The crop insurance premium fixed for sugarcane is on high side and all risks from planting to harvesting and delivery are not covered. Farmer friendly scheme be introduced.

12. The levy of multiple taxes on sugarcane should be dispensed with since it is coming in the way of paying remunerative prices to sugarcane.

FINANCIAL HEALTH OF SUGAR MILLS FACILITATE PAYMENT OF REMUNERATIVE PRICE AND PROVIDING OF OTHER SERVICES TO SUGARCANE GROWERS. THE FOLLOWING SUGGESTIONS ARE MADE REGARDING SUGAR MILLS DEVELOPMENT

1. Accumulation of sugar stocks result financial stress on the industry. This is due to unstable policies adopted by GOI like imposing ban on sugar exports. Therefore, the GOI should immediately take steps to dispose the surplus sugar stocks by way of extending incentives to cover the difference in market price so that the industry can concentrate on the ensuing years production and also effect payments to the sugar farmers, instead of creating buffer stocks.

2. The GOI should evolve an action plan for assessing sugar requirements, in the country both for business and individual consumers. Based on the sugar requirements, the sugar mills can crush the sugarcane to the extent of sugar requirements and the balance be diverted towards manufacture of ethanol. Out of the total sugar consumption in the country only 20% is consumed by individual consumers.
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EXPOSURE OF DEFICIENCIES IN THE DATA COLLECTED REGARDING COST OF CULTIVATION OF SUGARCANE AT GRASSROOT LEVEL BY CIFA

- No transparency in the procedure adopted for obtaining data on cost of cultivation of sugarcane by Department of Agricultural Economics, ANGRAU (Cost of Cultivation Scheme - GOI).

- No transparency in the procedure adopted for obtaining data on cost of cultivation of sugarcane and computation by Directorate of Economics and Statistics (GOI).

- The fate of sugarcane farmers has direct bearing on SMP. While dealing with such an important issue, the CACP is taking into cognizance the irrational cost of cultivation particulars furnished by Directorate of Economics & Statistics and other government departments, sugarcane recovery rate and "L" Profits furnished by sugar factories and ignoring the actual cost cultivation incurred and particulars furnished by sugarcane farmers and farmers associations. The CACP Should not discriminate the legitimate claims of sugarcane farmers and farmers associations and their claims should be taken into cognizance while fixing SMP.

- Cost of cultivation data pertaining to previous years is adopted for current year without taking into cost index of inputs, wages and other expenditures.

- When Sugarcane is crushed the output will be Sugar, Bagas, Molasis and Pressmud. The price of sugar alone is adopted under 3(d) of sugarcane control order - 1966 while fixing SMP. The sugarcane control order be amended for taking into the price of Bagas, Molasis and Pressmud while fixing sugarcane price.

- While effecting change in the recovery rate from 8.5% to 9% from the year 2005-06, appropriate weightages were not taken into consideration. This needs to be rectified retrospectively.
CIFA SUGGESTIONS ON RESEARCH, EXTENSION, TRAINING, ORGANIC AND NATURAL FARMING

- Wide gap between the research and its reach to sugarcane farmer. Research results should reach the farmer quickly.
- High yielding, short duration and draught resistant seed coupled with tissue culture and poly bag nursery, SRI cultivation etc both in public and private sectors be encouraged.
- Success stories on higher yields of sugarcane be studied by scientists and replicated in other areas.
- Training programmes be conducted for sugarcane growers from the stage of planting to harvesting.
- Organic and Natural farming be encouraged with necessary incentives.
- All sugar factories should convert its pressmud as bio-fertilizers.
- Extension services to be strengthened.
- Research be concentrated on inventing innovative culture practices to conserve water and contain cost of cultivation.
- Sugarcane crop damage of 25% to 80% by various wild animals is reported. The research should concentrate on the measures to protect the crop from wild animals.
- Research and extension should work in co-ordination with sugarcane farmers and industry with mandatory provisions.
ILLOGICAL ASSUMPTIONS AND POLICIES AGAINST THE INTERESTS OF SUGARCANE FARMERS

- Out of total sugar consumption only 20% is consumed by individual consumers and 80% is consumed by business consumers. (Hotels, Ice cream and cool drinks manufacturers) So why should there be controls?
- The business consumers (55% sweet shops, 15% soft drinks and 10% Bakeries & Chocolates) earn huge profits out of the products produced by using sugar.
- It is extraneous to linkup sugar and its price used by business consumers while computing SMP of sugarcane.
- This will help business consumers at the cost of sugarcane farmers.
- The SMP fixed for sugarcane for the season 2006 - 07. Is Rs. 80.25 per quintal.
- The recovery rate is 9%.
- Thus one quintal sugarcane produces 9 Kgs of sugar.
- The production cost of one kg sugar is estimated at Rs. 8.91 + processing charges + excise duty (Rs. 2.09) which works out to about Rs. 11.00.
- But the same sugarcane farmers are required to purchase sugar at Rs. 20 to 22 as consumer.
- Under the above situation neither the farmer is benefited nor the consumer is benefited, but the industry and traders are benefited at the cost of sugarcane producers.
- When Sugarcane is crushed the output will be Sugar, Bagas, Molasis and Pressmud. The price of sugar alone is considered for fixing SMP.
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* "India lives in villages.
If villages flourish India Flourishes".

   Mahatma Gandhi, Father of our Nation

* "If ploughmen keep their hand folded, even sages claiming renunciation cannot find salvation"

   Saint Tiruvalluvar

* "Evering can wait... but not Agriculture"

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