

**GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA**

UNSTARRED QUESTION NO:1871

ANSWERED ON:01.12.2009

SUGAR PRODUCTION

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Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

- (a) whether a typical sugar cycle from onset to termination leads to periodic peak and lower production of sugar;
- (b) if so, the details thereof;
- (c) whether the Government has initiated any steps to break this cycle and stabilise the cultivation of sugarcane crop, production of sugar and prices of sugar in the country;
- (d) if so, the details thereof; and
- (e) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION (PROF. K.V. THOMAS)

(a)&(b): Historically, sugar production in India has been cyclic in nature. Every peak production year is followed by a low production year two or three years later. The course of a typical sugar cycle, from onset to termination, as summarized by the High Powered Committee on sugar industry, [Mahajan Committee] is at Annexure.

(c)&(e): The Central Government has fixed the 'Fair and Remunerative Price (FRP)' of sugarcane for 2009-10 sugar season under the provisions of the Sugarcane (Control) Order, 1966 at Rs.129.84 per quintal linked to a basic recovery rate of 9.5% subject to premium of Rs.1.37 for every 0.1 % increase in the recovery above that level as against the earlier practice of fixing the Statutory Minimum Price (SMP). The SMP for 2008-09 sugar season was Rs.81.18 per quintal linked to a basic recovery rate of 9% subject to premium of Rs.0.90 for every 0.1% increase in the recovery above that level. It may help in breaking the cycle and stabilizing cultivation of sugarcane crop, production of sugar and prices of sugar in the country.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PART (a) & (b) OF THE UNSTARRED QUESTION NO.1871 DUE FOR ANSWER ON 01.12.2009 IN LOK SABHA

The course of a typical sugar cycle as summarized by the High Powered Committee on sugar industry [Mahajan Committee

"Starting from a normal year when factories are able to crush the cane within the normal season and there are no major arrears of cane price, the farmers tend to plant larger area under sugarcane since the sugarcane is relatively a more profitable crop and also use more inputs. This leads to increase in sugarcane production. The mills tend to get larger share of these increased supplies. Sugar production, therefore, goes up. After two or three years of good sugar production, the production with the carry-over stocks outpaces the demand for internal consumption. Although the Government through its mechanism of release for freesale sugar tries to cushion the impact of this higher production it does lead to lowering of freesale market prices. Excessive production of cane relative to the cane crushing capacity leads to lengthening of the crushing period. A large number of farmers have to wait till hot months of May and June before their cane can be crushed. A large accumulation of stocks with the mills leads to accumulation of cane price arrears. The farmers thus tend to suffer both because of drriage of cane and delays in receipt of their payments. They, therefore, tend to switch over to alternative crops. Non-payment of cane price by the mills also adversely affects their financial resources and they have to reduce the use of inputs. The resultant reduction in yield coupled with reduction in area leads to reduction in sugarcane production in the subsequent years. Since about 50 % of area is under ratoon, the effect is spilled over two years as farmers would pull out ratoon only under extreme situations. Since the gur and Khandsari industry tend to maintain their crushing and in some cases even increase it during the period of shortage, because production of khansari/gur become more remunerative due to increase in price of Khandsari and gur in line with increase in price of sugar, the sugar production falls more than proportionately due to the fall in sugarcane production. The accumulated stocks then get used up for free sale and prices tend to firm up. The cane arrears are gradually liquidated and the conditions are thus created for another round of expansion in sugarcane and sugar production."