Measures to Address Issues in Sugar Industry

Why in news?

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NITI Aayog has setup high-level committees to address the problems in the sugar industry.

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What are the issues in the sugar industry?

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- In India sugar industry’s woes are rooted in excessive government interference (read controls) and a total disconnect between the prices of input (sugarcane) and output (sugar).
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- The prices have seldom been allowed to be determined by the market and the net result is the periodic ups and downs in sugar production, prices and exports.
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- The present liquidity crunch in the sugar industry can also be attributed to surplus output, depressed prices and unviable exports.
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- It has, predictably, led to the accumulation of cane price arrears and consequential unrest among the cane farmers.
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- Though the government has, as usual, responded with various kinds of direct and indirect fiscal sops, including grants, interest subvention, tacit export subsidies and minimum ex-factory sale price, the crisis persists.
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What is NITI Aayog’s plan in this regard?

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- NITI Aayog has setup a 13-member task force panel to suggest long-term

strategies to rationalize the sugar economy and align it with the global market.
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- The underlying objective is to reduce the burden on the exchequer due to financial bail-out packages that the government has to repeatedly dole out to sustain the economic health of this Rs 800 billion agro-industry and avert piling up of unpaid cane price dues of the sugarcane growers.
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- The task force is also expected to suggest ways and means to mitigate the adverse impacts of sugarcane farming on the environment, notably groundwater.
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What are the areas unaddressed by government policies?

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- The lasting cure of this industry's ills can be found in the report of the Rangarajan committee, which has mooted wide-ranging reforms to free it of government clutches.
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- Though the Centre had implemented some of its recommendations, it had, at the same time, left some other reforms for the states to carry out but they have remained largely unimplemented.
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- The Centre, too, has re-imposed some of the restrictions it had lifted earlier, thus, defeating the very purpose of sugar sector reforms.
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What measures need to be taken?

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- Government urgently need to introduce the revenue-sharing formula, suggested by the Rangarajan committee, under which the mills are required to share with the farmers 70-75 per cent of the revenue earned from sugar and its byproducts.
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- By linking the prices with the market, this system allows the production of sugarcane as well as sugar to be dictated by the demand-supply dynamics of the local and global markets.

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- Since such an arrangement is acceptable to all stakeholders in this sector, there is little reason why it should not be implemented forthwith.
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- The NITI Aayog’s task force would serve a useful purpose only if it can come up with something better than this.
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- Apart from this environmental issues which has received less attention needs to be taken care by promoting drip irrigation and water-efficient crop varieties and agronomic practices.
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Source: Business Standard

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