Payment Delays to Cane Farmers

What is the issue?

- About 20 to 30 mills have dues between 10 and 60% of their cane procurement amount pending till date.
- This has become a major survival challenge for the farmers.

What is the current challenge?

- At the start of a new crushing season, cane growers, both in Uttar Pradesh and Maharashtra, are faced with a peculiar situation.
- Their cost of production has gone up but their returns have actually dropped.
- The government, for its part, has refused to raise the minimum Fair and Remunerative Price (FRP) at which mills are expected to buy cane from growers.
- The government has failed to look at the rising cost of production in terms of fertilizer and other input prices.
- More worryingly, there is the issue of delayed payments to the farmers by the mill.
- In Maharashtra, 100-plus mills have paid all their sugarcane dues in time.
- But, about 20 to 30 mills have dues between 10 and 60% of their cane procurement amount pending till date.
- About 20% of the sugar mills in the country are responsible for 90% of the cane arrears.

Why are payment delays a huge concern?

- More than 90% of the cane returns are spent by farmers as cultivation cost and for repayment of crop loans.
- So, surviving for a year or more without receiving their entire produce amount by a sugar mill is indeed a huge challenge.
- In the current season, cane procurement arrears were Rs 15,222 crores.
- Out of this, almost Rs 9746 crores are dues just from the state of Uttar Pradesh and Maharashtra.
- Karnataka has arrears of another Rs 598 crores.

What are the legal mandates?

- The law mandates the payment of sugarcane price within 15 days of supply

of sugarcane to the mills.
- It also mandates interest on dues of 15% per annum for any delay.
- These arrears can be recovered like arrears of land revenue by attaching property of the company.
- A Supreme Court ruling has said that farmers' dues must have priority over even secured financial creditors like banks.

What causes the payment delays?

- It is partly the result of some mill-owners mismanaging their factories.
- They are diverting cash-flow to other uses and their private companies.
- The state sugarcane commissioners have not been properly monitoring the level of sugar inventory, sugar sales, and revenue of these mills.
- They, thereby, fail to ensure that farmers get their returns.
- The country's largest sugar company alone owes over Rs 2900 crores to farmers as per latest records of government of UP.

What does this call for?

- **Sugar companies** - The sugar inventory in the country at the end of this season is going to touch a new record.
- It would be nearly 145 lakh tons or enough for 7 months consumption.
- Sugar companies need more working capital loans to fund these stocks while paying farmers on time.
- **Payment system** - The government has to implement a foolproof payment system.
- This should ensure that the money received from selling sugar is first used to pay farmers and not diverted for any other purpose.
- Government should act to address the problem of payment delays with high priority.

Source: Indian Express

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