

# BITTER SWEET

Indian sugarcane farmers and millers press for subsidies in the face of low prices and shrug off expected WTO challenge from Thailand and others.

By **Narendra Kaushik** in New Delhi

● Chaudhary Rakesh Tikait casts his memory back to 1967 as he reflects on the plight of farmers in India.

"In 1967, wheat was priced at 76 rupees (36 baht) per quintal (100 kilogrammes) and a government school teacher earned 70 rupees a month," he says. "The teacher was unable to buy a quintal of wheat on his salary.

"Fifty-one years later, the teacher's salary has jumped to more than 50,000 rupees while the price of wheat has increased to only 1,700 rupees per quintal."

The Indian farmer is always at a loss, says Mr Tikait, national spokesman for the Bharatiya Kisan Union (BKU), a group that works for the welfare of farmers.

"When somebody sets up a business he calculates his cost and then sells his product at a profit. This is not the case with the sugarcane farmer. His cost is still calculated on the basis of archaic norms," he told *Asia Focus*.

The production cost of sugarcane is still worked out on the basis of an old formula under which it is assumed that the oxen used by farmers work for only 140 days a year.

"Do we not feed the oxen on other days?" asked Mr Tikait, son of the legendary farmers' leader Mahendra Singh.

Bumper harvests in India, Thailand and other major producing countries have pushed world sugar prices to three-year lows and governments are struggling to placate farmers, millers and exporters.

This season the Indian government has estimated the cost of sugarcane production at between 250 and 300 rupees (120 to 145 baht) per quintal and fixed the fair remunerative price (FRP) at 255 rupees per quintal. In Uttar Pradesh, the largest cane producer followed by Maharashtra, the state government has fixed the FRP at 315 rupees per 100kg. This is the price that sugar mills are supposed to pay within 14 days after a farmer delivers cane for crushing.

But in reality, the price is hardly ever paid on time. In Uttar Pradesh alone, mills still owe US\$1.35 billion to farmers and the nationwide shortfall is \$3.1 billion, according to Mr Tikait. His group is demanding that the price of sugarcane be aligned with

inflation and that farmers should be given a subsidy based on the size of their agricultural land holdings.

But the millers need help from the government to pay farmers on time as they are losing about 7.5 rupees per kilogramme from their sales, according to Abinash Verma, director-general of the Indian Sugar Mills Association.

Raju Shetti, a former lawmaker and leader of Swabhimani Shetkari Sanghatana, an organisation working for sugarcane farmers in Maharashtra, agrees with Mr Tikait. "Every sugarcane farmer should be given a subsidy of 250 rupees per tonne," he told *Asia Focus*.

Both Mr Tikait and Mr Shetti accuse the union government of allowing mill owners and middlemen to thrive at the expense of the sugarcane farmer.

In the current crop year (October 2017 to September 2018) India is expected to produce a record 30.3 million tonnes of sugar, about 4.5 million more than last year, mainly because of favourable rains.

Global sugar prices have plummeted this year because of increases in production. Raw sugar for July delivery was trading just below 11 cents a pound, the lowest since September 2015, on the ICE Futures US market in New York last week.

**"The production of sugar is not an even playing field. In India, the labour cost is much more. Can Brazil feed the number of people sugarcane feeds in India?"**

VM SINGH  
Rashtriya Kisan Mazdoor  
Sanghathan

Sugar output in Thailand, which is recovering from an El Nino-induced drought, is up about 21% in the current crop year, according to Thai Sugar Millers Corp. The crushing season will likely last into early May, said Warawan Chitaroon, secretary-general of the Cane and Sugar Board. Last year it ended in mid-April.

India needs to export more to reduce inventory and lift local prices, Mr Verma told Bloomberg News last week.

Since local consumption of sugar in India is not expected to exceed 25 million tonnes, the government of Prime Minister Narendra Modi has introduced various measures to protect local prices from going into free fall.

This March, Delhi scrapped a 20% sugar export tax and allowed millers exporting sugar to import raw sugar duty-free for the next two seasons through September 2021. The government wants mills to export 2 million tonnes of sugar output to stop the erosion of domestic prices. The government of Maharashtra state is considering a subsidy for exports as domestic prices are higher than global rates.

On Feb 6, the government also doubled the import duty on raw and refined sugar to 100%. This was aimed at preventing dumping of heavily subsidised sugar from Pakistan to protect Indian growers.

Thailand, Brazil and Australia are reportedly planning to file complaints with the World Trade Organization (WTO) to seek the abolition of subsidies that India and Pakistan give to their sugarcane farmers.



LEFT  
A worker carries a sack filled with sugar at a market in Kolkata.

PHOTOS: REUTERS

The Brazilian industry group Unica is considering holding a meeting with cane growers in Australia and Thailand amid concern that the possibility of subsidies by India will undercut sugar prices further.

While Mr Shetti, Mr Tikait and other farmers' leaders have strong differences with sugar mill owners on payments and procedures, all parties in the local industry have dismissed the complaints of rival producing countries.

"Where is the subsidy? Where is it? You cannot go to the WTO on the basis of fictitious reports," said Mr Verma.

Responding to reports that government was considering paying cane growers 55 rupees a tonne to help sugar mills, Mr Verma called them fictitious. He said scrapping the 20% of sugar export tax

and doubling the import duty on raw and refined sugar could not be challenged in the WTO as it was not any other country's business.

VM Singh, convener of the Rashtriya Kisan Mazdoor Sanghathan, an organisation working for farmers and workers, agreed with Mr Verma. Unlike in Brazil and other countries, the input cost of sugarcane was very high in India and the Indian government is well within its right to protect the domestic prices, in his opinion.

"The production of sugar is not an even playing field. In India, the labour cost is much more. Can Brazil feed the number of people that sugarcane feeds in India?" Mr Singh asked rhetorically.

Mr Singh and other farmers' advocates accuse the government of doing the bidding

of mill owners and lacking the political will to take care of farmers.

"150 million people in India are dependent on sugarcane production. And we don't even have a fully fledged ministry to deal with the issue. In Maharashtra, farmers are dying," he said.

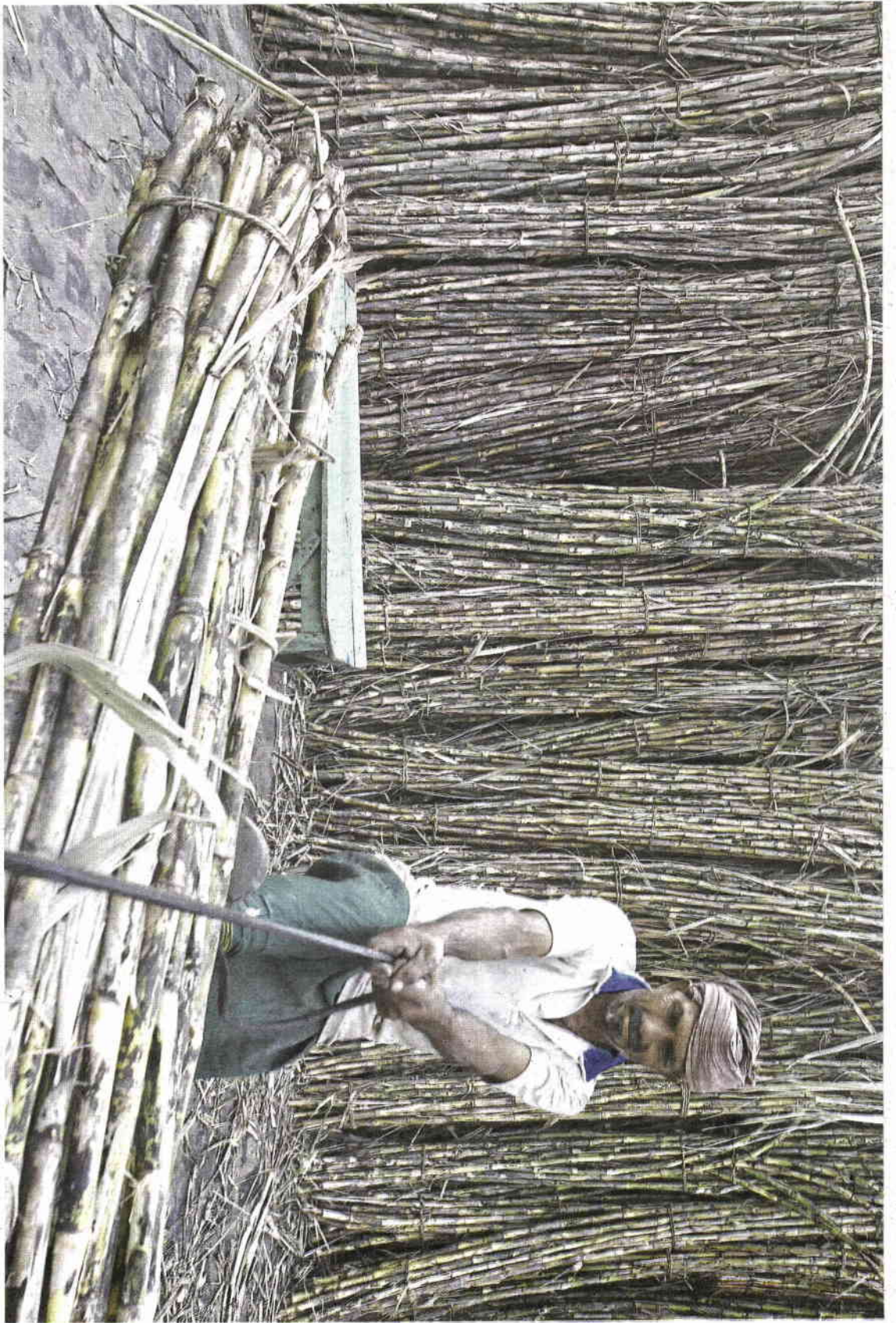
Mr Singh for years has been at the forefront of taking mill owners to court for failing to make timely payments. He even wants them to pay interest to farmers who more often than not have to take out loans to plant sugarcane. He is not convinced by the mill owners' argument that the current low global prices of sugar have made their business unprofitable.

"The mill owners make money from ethanol, cogeneration power plants and distilleries apart from the sugar. If there were losses, do you think the number of mills would have gone up from 35 to 95 in Uttar Pradesh alone since 2003-04?" he asked.

He has filed a petition in the courts demanding that it be made mandatory for sugar mills to pay interest on late payments.

Sugarcane is largely grown in Uttar Pradesh, Maharashtra, Karnataka, Tamil Nadu and a few other states. Indian farmers grow cane because it is a hardy crop and can withstand floods and hailstorms.

Moreover, the crop need not be planted anew after one season. Indian farmers are considered experts in planting sugarcane. This was why the British Empire sent Indian sugarcane growers to different parts of the world when its rule extended from India to the Caribbean.



**ABOVE**  
A labourer ties a bundle of sugarcane on a rickshaw to transport it at a wholesale sugarcane market in Kolkata.