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Distress Facing Sugarcane Growers of Western Uttar Pradesh

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ABSTRACT

This paper looks into the problems faced by sugarcane farmers of western U.P and strives to analyze the underlying causes. Studies of the market characteristics for inputs and outputs and technological factors have been undertaken and policy implications have been analyzed to identify the main causes of the malady. The role of administered prices has been incorporated in the study. Finally, recommendations have been made to improve the state of this sub- sector of agriculture.

Keywords: Administered prices, SAP, FRP

INTRODUCTION

Western U.P, the sugar bowl of India is one of the most prosperous geographical regions of the country with several districts listed among those that have the highest per capita income in India. The economic prosperity of this region is on account of agricultural production which in turn drives the growth of manufacturing and services. In the product mix of agricultural crops, sugarcane stands out as most significant crop in terms of income generation for the farmers. However, during the last decade, the sugarcane farmers are facing economic distress on account of market imperfections characterized by pro-capitalist policies of the government resulting in abnormal returns for traders, rising costs of inputs and falling inflation adjusted prices of output. This has led to worsening of the socio-economic environment faced by the sugarcane farmers.

Relevance

The sugarcane farmers of Western U.P., which is the sugar bowl of India, are facing the onslaught of unfavorable government policies, as well as the market. This in turn has led to deterioration of the social and economic conditions of the region, resulting in fall in the growth rate of per capita GDP, rise in unemployment and worsening of the law and order situation. These problems can be mitigated through political, institutional and technological intervention.

The anti farmer approach of the government, Union as well as State, in the matter of sugarcane pricing under the influence of capitalist owned sugar mills continues to wreak havoc on debt-ridden farmers in Uttar Pradesh where several cane growers have ended their lives while several others have been forced to postpone wedding of their daughters due to cash crunch. The small farmers have been impacted the most.

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Muzaffarnagar is the largest sugar market of Asia and lies in the heart of the Western U.P. region. A more in-depth study of the issue in this district reveals various pertinent aspects.

Geographical and topographical features of the region (Muzaffarnagar)

Muzaffarnagar district is located on the western fringe of Uttar Pradesh, bordering the state of Haryana and Uttarakhand. It is one of India's most prosperous agricultural tracts, irrigated by the Eastern Yamuna and Upper Ganges canal systems built way back in the 1850s.

The main rivers of the district are Ganga, Yamuna, Hindon and Kali (Krishna). The boundaries of the district are the rivers Ganga and Yamuna (for undivided Muzaffarnagar).

Demographic Features

The total area of district is 4176 sq km supporting a population of 35.42 lakh with a density of 848 persons per sq km.

The district had the second highest per capita income (next only to Ludhiana) about three decades back, but has fallen to a lower level now. Within U.P. it has the second highest per capita income now (next only to Saharanpur).

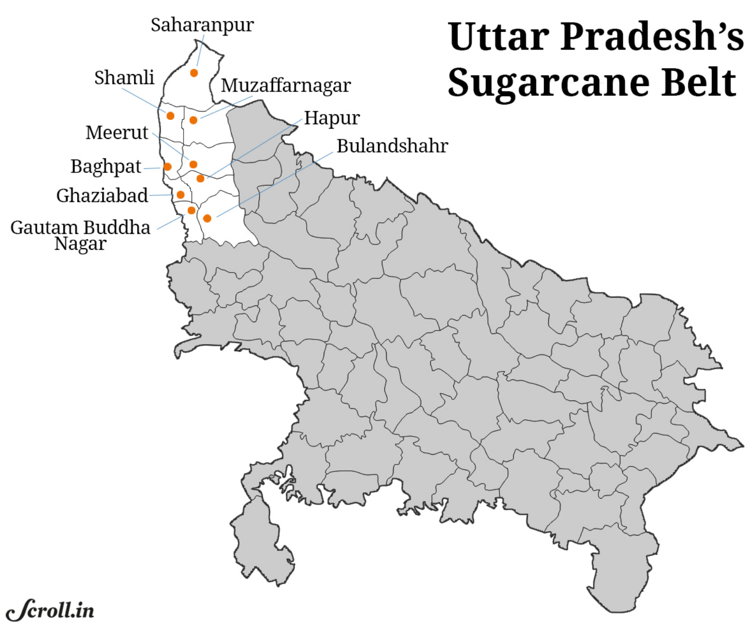
Growth of agricultural activity in the post-independence era

This district characterized by intensive farming witnessed a major rise in agricultural productivity and income on account of the Green revolution of the 1960s. The district is primarily agrarian with 78.13% of the 417600 ha geographical area under cultivation. The net sown area is around 3.26 lakh ha out of which 3.21 lakh ha or 99% of the net sown area is under irrigation. About 54% of the land holdings are less than 1 ha in size due to continued fragmentation of land holdings. The core sector of economy continues to be agriculture. [1]

Role of sugarcane as a cash crop in the crop mix

Cropped Area (ha): 218382
% of total cropped area (ha): 55.5
Productivity (qtl/ha): 30

Economic significance of sugarcane production



Sugarcane is the main cash crop which covers around 55.56% of the total cropped area. There are 8 sugar mills in the district .Sugarcane is a perennial crop which usually produces crops for about 3-6 years before being replanted.

About 98% of the net sown area in the district is irrigated and farming is mechanized. Sugar recovery is almost 75 percent of all India average.

Sugarcane dominates the landscape of western Uttar Pradesh. Called the Upper Doab since it falls between the Ganga and the Yamuna rivers, the region is highly fertile and supports sugarcane crop.

Uttar Pradesh is India's largest producer of sugarcane, growing more than a third of the country's entire output. In 2015-'16, sugarcane purchased by the mills of Uttar Pradesh amounted to Rs 18,000 crores in value.

The problems faced by sugarcane growers and the underlying causes

Major challenges facing the sugarcane sector are:

(i) Low price of the output fixed by State government;
(ii) Limited availability of water for irrigation;
(iii) Depletion of soil fertility;
(iv) Increase in the prices of fertilizer;
(v) herbicides and pesticides;
(vi) Price escalation of petroleum products;
(vii) Limited availability and high cost of farm labor; and
(viii) Lack of sugar mills.

Elucidation of the problems through primary and secondary information from stakeholders i.e. the farmers, traders, government agencies and institutions

Low Output Price: The SAP (State Advised Price) determined by the UP government was increased to Rs 315 per quintal for the 2016-17 season. This increase came after three years, during which the price of cane remained fixed at Rs 280 per quintal.

On October 28, 2017, the government of U.P. announced a hike of Rs. 10 per quintal over the existing Rs.315 in SAP (about 3% increase) for the current crushing season which is a cruel joke upon the distressed farmer. Before the hike, a demand for raising the procurement price of sugarcane to anything between Rs 350 to Rs 500 per quintal went around in farmers' circles.

High Input costs

As per the Uttar Pradesh Council of Sugarcane Research, it takes the farmer Rs 354 to produce a quintal of sugarcane.

The gap between the cost of production and the SAP is narrowing every season, as the cost estimates of the government underestimate the actual cost borne by the farmer. Last year, the government's estimate of the cost of production was Rs 270 per quintal. The SAP, at 315, is only about 15% higher than that, which is simply not enough to cover the additional costs that the farmer has to bear and the risk involved. And the government cost estimate is actually an underestimate. Several cost estimates such as labor costs are lower than the real cost that the farmer has to bear.

Even without delays in payments by sugar mills, cane farmers in the region feel that the amount of the SAP is too low in the face of rising costs. A bag of urea (50 kg) used to cost Rs 220 three years ago, now it is Rs 330. The prices of all inputs have been going up consistently the last few years but the price that farmers get from sugar mills has not gone up in that proportion.

Farmers contend that labor has become expensive because of NREGA [National Rural Employment Guarantee Act]. It costs Rs 400 to hire a farmhand for a day.

Inordinate Delays by Sugar Mills in Payments to farmers:

The cane payment crisis is, indeed, most acute in the Upper Doab region, also referred to as 'Jat belt' after the community that is seen to make up roughly a tenth of its population and a third of those engaged in farming. The Upper Doab districts currently account for more than 47 per cent of the overall cane dues and 80 per cent of first-installment arrears owed by mills in UP.

Like most other sugarcane-producing states, UP announces a state advised price (SAP) for sugarcane, which is generally higher than the fair and remunerative price (FRP) announced by the Centre. During the 2016-17 season, the SAP in UP was Rs 315 per quintal, while the FRP announced by the Centre was Rs 230 per quintal. The sugar mills in the state are required to pay at least the SAP within 14 days of purchase of sugarcane from the farmer. However, it is common for cane farmers in the region to not receive any payment for several months and not receive full payment until the next season.

Sugar mills in the region are notorious for delays in payments. *The crop that is produced is very expensive. First, the farmer takes a loan from the market, or the bank, or the lender to produce the crop. Then he gives it to the sugar mill. For a whole year, he is not paid. The people from whom they borrow money press for repayment. The farmer is definitely in depression because there are children to be educated, daughter to be married, and the daily expenses.*

At the Titawi Sugar Mill in Muzaffarnagar, farmers coming in to deposit sugarcane complain that payments for the harvest season of 2015-'16 have only come in now.

Sugar mills in the state owed cane farmers Rs 4,000 crore for the 2016-17 season and Rs 6,600 crore for the 2015-16 season. The delay in payment from sugar mills is something that happens every season.

The delays in payment play a huge role in the crisis of sugarcane farming. The entire sowing cycle for the farmer gets disturbed because of these delays, as the farmer does not have any working capital. It also pushes him deeper into the debt cycle, as he is compelled to borrow despite having earned an income which he has not received.

The laws require sugar mills to clear farmers' dues within 14 days of purchase, failing which mills are bound to pay interest on the amount due at the rate of 15% per annum for the period of the delay. However, the interest amount is seldom paid to farmers.

In October 2016, the then Samajwadi Party (SP) government in UP, citing low sugar prices, decided to waive an amount of Rs 2,000 crore which sugar mills in the state owed farmers as interest on delayed payments. In March 2017, however, the Allahabad high court set aside the decision, using strong words, "The state government waived the interest, citing mills' inability to pay in view of low sugar prices. But by that logic, shouldn't the interest being paid by farmers on loans from state-owned and cooperative banks also have been waived? In this case, farmers were basically supplying cane to mill at zero interest, even while borrowing at 10-15% or more themselves".

Farmer Suicides

A particular case illustrates the deplorable state of affairs. The first sugarcane farmer's suicide was reported from Bastauli village.

"A farmer had got four slips worth Rs 30,000 against the supply of sugarcane during the previous crushing season. Although the mill was expected to pay him the dues within three months, the management was not allowing him to even enter the mill premises. He went towards the fields and hanged himself from a tree," the victim's elder brother said.

Farmer suicides in UP's sugarcane belt are a worrying recent phenomenon. Uttar Pradesh has 121 sugar mills which buy sugarcane from over 29 lakh farmers.

Empirical Analysis:

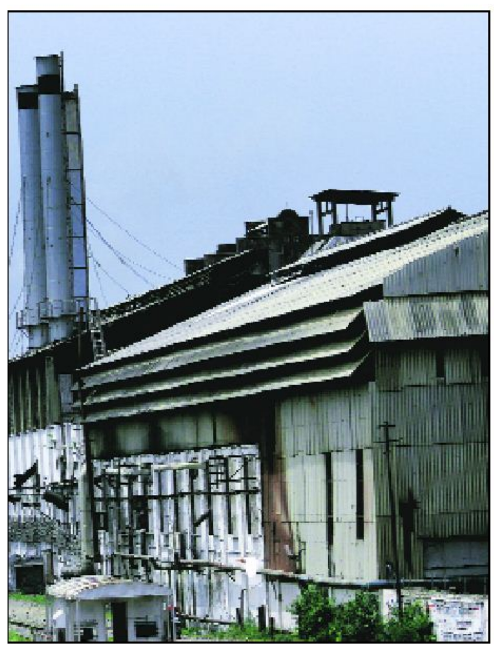
Discontent among farmers in Western UP has been brewing for the last few years as the region, often referred to as 'prosperous', has slipped – quite unnoticed – into an agrarian crisis, like most of the country.

Khursheed Khan and Rakesh Raman, economists at the Benaras Hindu University, have developed an 'index of crisis in agriculture', which measures the extent of the crisis in a region based on indicators such as average loans due, average yield, per capita production, proportion of sown area, cropping intensity and profits. In a 2014 paper titled 'Crisis of Agriculture in Uttar Pradesh: From apprehension to actuality', they divided the index into five ranges – very high, high, moderate, low and very low – and made calculations for all the districts of UP for two time periods, 2001- 2004 (T1) and 2008-2011 (T2). In T1, only four of the 24 districts of Western UP fell either in the 'very high' or 'high' categories based on their index score. In T2, however, that number increased to 14. Consequently, the number of districts in the 'very low' or 'low' levels of crisis fell from 13 to 6, posing a challenge to the claims of agricultural prosperity in Western UP.

According to the authors' analysis, the extent to which the crisis has worsened in Western UP between the two time periods is equivalent to the manner in which the crisis has worsened in the infertile regions.

Technological problems

Sandeep Choudhary, assistant professor at the Krishi Vigyan Kendra in Hastinapur, explained that risk from pests has grown as the use of a new variety of sugarcane, the CO 0238 variety, has become more prevalent. The CO



0238 variety has higher yield and higher sugar recovery, which means it is better for sugar mills. But the risk for farmers has increased as it carries a much higher risk of diseases compared to the previous variety. And the cost of pesticides has also gone up in the last few years, so the cost for farmers has grown significantly.

These problems have contributed to what Khan and Raman in their 2014 paper refer to as the "poor performance of the main cash crop of the state, sugarcane". According to their calculations, during the three-year period ending 2011, the area under sugarcane declined, as did its production, while the yield has been stagnant. Significantly, among the main crops of UP that the authors analyzed, sugarcane's performance was the worst.

Cane growers fear that if sugar prices keep rising, the Centre will next open the door for duty-free imports. They suffer when prices fall from over-production and will also suffer if prices go up and imports take place.

At WTO's Ministerial Conference held in Nairobi last year, India was seen to make concessions that could hamper domestic producers and "destroy" the farmers.

Corruption and unfair trade practices

All farmers levy common allegations of corruption- in the distribution of relief, in setting up tube-wells, in measurement of the sugarcane they sell at the sugar mill.

The sugar mills of Muzaffarnagar have formed a cartel and demarcated their areas so as to ensure their respective monopolies in the catchment areas, thus denying a fair deal to the cane farmer in terms of correct weighment, timely payments and transaction time required for selling their produce.

Socio-political ramifications:

Sugarcane farmers of Muzaffarnagar contend that If things went on like this, they would have to stop growing sugarcane. For a region that is crucially dependent on sugarcane, this is an alarming proposition. And while the threat might be an improbable one in the short term, the crisis of sugarcane in western Uttar Pradesh might go a long way in explaining the social and political crises that the region has experienced recently.

Shopkeepers in Kairana town feel certain that delays in mill payment adversely affect their sales. This is an expected phenomenon, given how sugarcane drives the local economy.

In the earlier system, landless Muslims were bound to the land-owning Jats within the village. Muslims would typically be carpenters, ironsmiths and general farm labor serving the Jat farmers. With a declining sugarcane crop, Muslims found employment outside of this system, weakening the rigid relationship between the landowning Jat and the Muslim craftsman.

The falling viability of sugarcane in the fertile Upper Doab is a portent to the tough times India's farm sector could see in the future.

→ The sugarcane crisis and its impact on politics, while affects only a small proportion of Indians, is a lesson for agriculture in the country as a whole. That even a crop as profitable as sugarcane in the fertile Upper Doab could reach a crisis situation is a portent to the tough times India's farm sector could see in the future. People desire for better power supply, quality seed, improved irrigation, better technology dissemination, and market information.

Inferences and suggestions for action

(i) The most pressing problem faced by farmers that is leading to distress is delays in payments by sugar mills. The government needs to step in. Procedurally, sugar mills issue a receipt to farmers on receiving cane from them. Since this is carried out through computers, the same software should be enabled to make direct online transfer of payment to the farmer's bank account.

(ii) Taxes on inputs for cane production, namely fertilizer, pesticide and diesel should be rationalized and reduced. The government earns huge revenue from taxes on diesel which brings about a rise in costs of inputs for all products and services including diesel and leads to overall inflation which is the worst effective tax on poor. This tax ought to be reduced. One simple step is to at least bring diesel under GST that would result in substantial reduction of price for the final consumer.

(iii) The government allocates a big chunk of the taxpayers' money to agriculture and allied activities but with little final output in terms of benefits to farmers. Besides, there is inefficiency and widespread corruption in the implementation of government schemes. If improvement to the warranted level is not feasible, direct cash transfer of subsidy to intended beneficiaries is a better mechanism.

(iv) Instead of loan waivers for political purposes which result in inequitable benefits, farmers should be entitled to loans for working capital as a matter of right without any documentation because the land revenue department of the government has all the relevant records.

(v) Appropriate laws need to be enacted to remove the powers of the government to transfer agricultural farms of agriculture universities to private industry without any payment as was done by Modi government in Gujarat to benefit the Tata group.

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