

### SUGARCANE CRISIS IN MAHARASHTRA: AN OVERVIEW

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#### **Introduction**

Maharashtra is India's top state for sugarcane and sugar production with 80-85 tonnes per hectare and 8.6 million tonnes respectively being produced in 2015-16. It accounts for 35% of the country's total sugar production because of the high number of factories in the state. The issue which arises with this kind of production is that sugarcane is a water intensive crop with 2000-2500 litres of water required to produce one kg of sugar and Maharashtra has been facing droughts and shortage of water in the recent years.

Nonetheless, this crop is continued with every year no matter what. Solapur has the maximum percentage of sugarcane production followed by Kolhapur, Ahmednagar and Pune.<sup>2</sup> Even though the sugar industry is one of the most important in the state as well as the country, it faces several issues which are discussed in this paper.

#### **Water Supply**

Maharashtra has been suffering from shortages of water. Several villages are provided water through tanks on the pithy of their legislative representatives. Solapur district, which is the largest area for sugarcane cultivation, in the Maharashtra water and irrigation cultivation report (June 1999) has been said to belong to 5 sub basins. It describes three river basins out of those five as highly water deficient. According to a report by SANDRP<sup>3</sup>, 86.6% of Solapur falls under this water deficient area and yet we see that it tops sugarcane production. This is a major problem faced in such areas. Crop is still grown even though the farmers face drought like conditions.

Moreover, sugarcane has a growth cycle of 11-17 months and hence, locks up the farmers. It requires irrigation twice a month and the farmers have no choice. This long process causes the farmers as well as the mills to provide water despite the water scarcity. In spite of low rainfall, sugarcane production continued as we can see in Table 1.

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<sup>1</sup> Fizza Suhel was working as intern with [cprgindia.org](http://cprgindia.org)

<sup>2</sup> Vasantdada Sugar Institute, Maharashtra (2011-12).

<sup>3</sup> South Asia Network on Dams, Rivers & People. June 2013. *Why Solapur, Sugarcane and Sustainability do not rhyme?*

YEAR	RAINFALL (Percentage to normal)	SUGARCANE PRODUCTION ('000 MT)
2011	102.3	86,733
2012	90.3	69,648
2013	124.6	76,901
2014	70.2	84,699
2015	59.4	73,680
2016	94.9	54,237
2017	84.3	67,863

Table 1.

*Sugarcane production.*

*Source: Economic Survey of Maharashtra 2017-18.*

The above table show that although rainfall was 70% and 60% of the normal, sugarcane production remained high in 2014 and 2015 respectively. It declined in 2015 but again increased in 2017. Therefore, irrespective of falling rainfall, sugarcane, although water intensive, was still grown. Farmers from the region of Mohol sat on strikes to demand water to be released from Ujani dam. However, that area has 2 sugarcane crushing factories that had crushed 13.56 lakh tons of sugarcane in 2013 up to March using 20,340 lakh litres of water from October, 2012 to march 2013.<sup>4</sup>

### **Fixed Remuneration Prices**

Year	Sugarcane FRP (Rs per quintal)	Percentage Increase
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<sup>4</sup> Sugar Commissionerate, April 2013

2009-10	129.84	-
2010-11	139.12	7
2011-12	145	4
2012-13	170	17
2013-14	210	24
2014-15	220	5
2015-16	230	5
2016-17	230	0
2017-18	255	11
2018-19	275	8

Table 2: FRP 2009-2019

*Source:* Department of Agriculture Cooperation and Farmers welfare.

There has been a significant increase in the fixed remuneration price (FRP) of sugarcane which is the price paid by the mills to the farmers. In comparison to this, the price of sugar remains as low as 29.40 INR in Marathwada region in January 2018.<sup>5</sup> With a supply surplus and import of sugar in the country, the prices are bound to be low. This is resulting in inability to pay farmers as 64% Maharashtra mills are yet to pay farmers<sup>6</sup> and only 29% FRP has been paid<sup>7</sup> as of December 2018.

Previously, there was a 20% custom duty on export of sugar which added to the conditions of these mills. However, by the end of 2018, the government has removed such duties and the mills in Maharashtra have contracted to export 150,000 tonnes of raw sugar according to Reuters.<sup>8</sup> With rise in international prices and depreciation of the rupee, this move is going to be beneficial for the sugar industry. The government

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<sup>5</sup> Jayashree Bhosale, *Sugar prices in Maharashtra hit new low last seen in March 2016*, (Economic Times, January, 2019). <https://economictimes.indiatimes.com/news/economy/agriculture/sugar-prices-in-maharashtra-hit-new-low-last-seen-in-march-2016/articleshow/62555396.cms>

<sup>6</sup> Jayashree Bhosale, *64% of Maharashtra cane mills yet to pay farmers*, (Economic Times, December 2018). <https://economictimes.indiatimes.com/markets/stocks/news/64-of-maharashtra-cane-mills-yet-to-pay-farmers/articleshow/67241701.cms>

<sup>7</sup> Sugar commissionerate, Maharashtra. <https://sugar.maharashtra.gov.in/Site/Upload/GR/2018-12-15%20cane%20arrears%20-%20website.pdf>

<sup>8</sup> Rajendra Jadhav, *Exclusive: India to export raw sugar for first time in three years as global prices rally*, (Reuters, October, 2018). <https://in.reuters.com/article/india-sugar-exports/exclusive-india-to-export-raw-sugar-for-first-time-in-three-years-as-global-prices-rally-idINKCN1MJ16E>

has also offered incentives to promote export such as a transport subsidy and an aim of exporting 5 million tonnes has been set for 2019. This would further help in increasing domestic prices.

### **Ban on production and other proposals**

Several times it has been suggested to ban sugarcane from being produced mainly due to drought like conditions faced every year in Maharashtra. In 2016, the Vasant Naik Sheti Swavlamban Mission (VNSSM), set up by the Maharashtra government, proposed banning sugarcane in the drought hit areas of Marathwada and Vidarbha.<sup>9</sup> The government did comply with such proposals and banned the crop in Marathwada although it comprised 40% of the total sugar mills in the state. Former chairman of the Maharashtra water and irrigation commission, Madhav Chitale, asked for “expelling the water-guzzling sugar cane from Maharashtra since it consumes 71% of Maharashtra’s irrigated water”. He also laid stress on making drip irrigation compulsory for all sugar mills in the state. Experts like Pradeep Purandare, former associate professor at Aurangabad-based Water and Land Management Institute, Parineeta Dandekar, a Pune-based ecologist and Rajendra Singh, known as the water man of India have all recognized this issue and the need to control this crop.

However, opposition is also received from the industry. President of West Indian Sugar Mill association and Chairman/MD of Natural Sugar and Allied Industries Ltd asserts that it is a misconception on the part of the experts as most of them have never been to a sugar cane farm.<sup>10</sup> These kinds of narratives are not new from the stakeholders of the industry and politicians who are a part of the sugar lobby. Former Secretary in the Ministry of Rural Development, N.C. Saxena recognized the elitism within the rural community and how politicians actually benefit because they essentially run these sugar mills. Such interferences have proved to be an obstruction for ban and control of sugarcane growth.

### **The Politics involved**

Involvement of politicians in this industry is not new. Several politicians control sugar mills in the state because that helps them to influence voters in the mill areas.

Sugar cooperatives started in the state in the 1950 with the aim of protecting small farmers from exploitation of landlords and private factories. They grew in number and now stand at 104 cooperatives

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<sup>9</sup> Sakshi Prashar, *Ban on ‘killer’ crops in Maha areas; govt committee proposes curbs on sugarcane & Bt cotton* (Financial Express, April, 2018).

<https://www.financialexpress.com/market/commodities/panel-for-ban-on-cane-bt-cotton-in-maharashtra-areas/245078/>

<sup>10</sup> Abhiram Ghadyalpatil, *Sugar cane vs Marathwada’s drought*, (Livemint, April, 2016).

<https://www.livemint.com/Politics/nQRjnZEiH9BWrGb11x51L/Sugar-cane-vs-Marathwadass-drought.html>

against 84 private factories<sup>11</sup>. These cooperatives are supposed to be democratic and inclusive of member farmers in the decision-making process. However, power is concentrated with the board of directors which is elected by the members. Elections to these boards have sometimes been compared to those of the parliament in terms of the cost involved. The people at power in these factories are often able to take a role in politics due to their influence in this sugar lobby. People like Vasantdada Patil (CM 1977-78) started the Shetkari Sugar Cooperative Factory, Y.J. Mohite (Ex State Finance Minister) started the Krishna Sugar factory and Ratnappa Kumbhar (Ex civic supplies minister) was founder chairman of the Panchaganga Factory. Along with these, Sharad Pawar has been a significant figure in the politics of the state as well as the cooperatives. He held power in the Malegaon factory, Shri Someshwar sugar factory and Chhatrapati sugar factory. This involvement of politicians hinders the decision making of the government regarding production. Bans on the crops and water distribution control is not effective because even though committees exist, politicians are a part of those. Action is not taken by the state governments against defaulting factories not paying arrears even though the Sugarcane Control Act (2013) allows them to do so.

### **Conclusion**

Even though the crisis in the state has been recognized, not much action can be taken by the government because of political backing. Measures like FRP, export subsidies and drip irrigation, although introduced by the government, need the assistance of the farmers along with the mills to bear any results. Mills are still struggling against the regulation of sugarcane prices and the unfavorable market conditions which prevailed recently. With the global supply falling, exports may help this industry to make profits again. As far as the farmers are concerned, they are still waiting for their payments at the Fixed Ration Price. The gains from exports may serve them well in getting their money back. Even though several steps are taken by the state government, it can achieve something only if it works towards reducing the political influence of the sugar lobby.

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<sup>11</sup> Sugar commissionerate, Maharashtra  
<https://sugar.maharashtra.gov.in/Site/Upload/GR/2018-12-15%20cane%20arrears%20-%20website.pdf>

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