

**Policy Brief**  
**on**  
**Sugarcane Supply Chain in Uttar Pradesh**

**An Assignment for the Course: Monitoring and Evaluation for  
Development Interventions**

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## 1. Background

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Uttar Pradesh is the country's biggest sugarcane growing and producing state. In 2020-21, a rearing producing sugarcane in UP<sup>1</sup> stands at 27.40 lakh hectares with reported sugarcane production of 22.32 crore tonnes. Number of sugar mills in the state(UP) stands at 120 and amount of sugarcane crushed is 10.27 crore tonnes. Which resulted in 110.59 lakh tonnes of sugar production. Whereas, in 2021-22, the numbers followed as: sugarcane procured is 4.77 crore tonnes with an order value of 13530 crore rupees. Whereas payment made to the farmers stands at 9352.09 crore consequently 4168 crore rupees is unpaid to the farmers. Which results in above 30% of the total value.<sup>2</sup> Besides UP Maharashtra is one of the leading sugarcane producer but despite having the largest number of irrigation projects, sugarcane farming is the prime reason for the low coverage of irrigation. This paper will cover the policy analysis on sugarcane in Uttar Pradesh along with the farmers' insights on the same reflected in the in-depth interviews. Also, the paper looks at the policies via gender lenses and try to reflect the role of women into the sugarcane farming.

## 2. Policy Analysis

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There are several policies concerning sugarcane production, distribution and payments to the farmers. We will address some of those Policies by addressing the positive impacts, limitations and way forward.

### 2.1 The U.P. Sugarcane (Regulation of Supply and Purchase) Act, 1953

The policy addresses the regulation of supply and purchase of sugarcane in the Indian state of Uttar Pradesh

#### 2.1.1 Positive Impacts

- Appointment of Sugar Commissioner and Cane Commissioner to overlook the duties and mandates under the Act.
- Immediate mandate on payment to farmers by sugar mills after maximum 14 days of delivery of cane
- Power invested in the state government to declare a sugarcane variety as unfit for factory use (e.g. Ratoon cane of any variety) or for cultivation (e.g. seed cane of any variety).

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<sup>1</sup> UP- Uttar Pradesh

<sup>2</sup> <https://indianexpress.com/article/explained/sugarcane-politics-uttar-pradesh-areas-seats-arrears-7746339/>

### 2.1.2 Limitations

- Improper surveys leading to farmers not getting the prices decided by the government under the act. The sugarcane produce is usually sold at a loss of Rs. 100-115/q to avoid getting any delayed payment.
- Delay in principal payments till fifteen days as well as with the interest rate of 12% post that, as against Section 17 of the Act. (case of Bajaj Hindustan sugar limited)
- Improper monitoring and checks of the policy that lead to farmers not being able to receive the benefits from their produce and falling into debt trap. Focus on payment of debt instead of opportunities to prosper.

*(Section 17, The U.P. Sugarcane (Regulation of Supply and Purchase) Act, 1953 talks about the payment of cane price and specifies that the occupier is responsible for the payment to be done immediately after the delivery of the cane. Section 17 (2) says that a default in payment of the price after fifteen days of the delivery will make the occupier liable to pay interest rate.)<sup>3</sup>*

## 2.2 The sugarcane (control) order, 1966

The sugarcane (Control) Order, 1966 was launched under the Essential Commodities Act, 1955 and is extended (in the interest of the general public) to control the production, supply, distribution, trade and commerce of sugarcane in India.

### 2.2.1 Positive Impacts

- Minimum price for the sugarcane farmers to be fixed by the Central government
- Reduced risk for the small and marginal farmers whose major source of income is from the sugarcane cultivation (95% and 67% respectively)

### 2.2.2 Limitations<sup>4</sup>

- Improper survey leading to whole produce of the farmer not being sold at FRP
- Loss being incurred by the farmers due to selling in the local mandi instead of the sugar mills
- Delayed payment to the farmer even up to the period of 1 year by the sugar mills
- Collaboration of some sugar mills in order to control the production environment of sugarcane.
- Claim of heavy debt by sugar mills to banks, as the price realization from sugar sales is distributed throughout the year.
- Focus on keeping the sugar prices low by the state as well as the Central governments by the arbitrary imposition of price ceilings and curbs on stockholding, instead of enforcing the payment of dues to the farmers.

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<sup>3</sup> <https://indianexpress.com/article/business/business-others/uttar-pradesh-elections-mills-farmer-payment-no-party-for-growers-even-with-high-sugar-prices-4538781/>

<sup>4</sup> <https://indianexpress.com/article/opinion/editorials/bitter-sweet-uttar-pradeshs-sugarcane-farmers-facing-distress-2786475/>

- Reduction in the incentive and the capacity of farmers to produce sugarcane in future due to ill-directed and ill-advised efforts.

## 2.3 Under the Sugar Policy, 2013

### 2.3.1 Positive Impacts<sup>5</sup>

- The partial decontrol of sugar with abolishing the 10 per cent levy to benefit sugar mills.
- Steps to clear a part of the cane arrears.
- Abolishment of the monthly release system for non-levy sugar in the market to provide the flexibility to take economically rational decisions and improve their competitiveness.

### 2.3.2 Limitations

- Sugarcane farmers do not have the freedom to sell their cane to anyone who offers them a higher price.
- High controls on molasses related to movement, price and quota.
- Subsidy provided to the potable liquor industry at the cost of sugar mills and cane farmers.
- State advised prices (SAP) in not in sync with any economic rationality of the local conditions.
- Deficit of trust among the sugarcane farmers, mill owners and the state governments.
- No provision in the act to address the issue of environmental sustainability.
- Lack of addressal of the issue of drought, especially for the state of Maharashtra where requirement of water for production of 1 kg of sugar is 2000 litres as compared to Uttar Pradesh where it is 1000 litres. Also, the cost of water in UP is typically one-third of that in Maharashtra.

## 2.4 Steps taken by the State Government<sup>6</sup>

- The UP legislative assembly passed a Bill that empowers the state government to recover sugarcane dues from the group companies of defaulting sugar mills. The amendment will come into force with the gazette notification to be issued soon.
- The Bill amends the Uttar Pradesh Sugarcane (Regulation of Supply and Purchase) Act 1953, by adding a sub-clause. It is aimed at streamlining the legal obstacles in initiating recovery from errant sugar mills which do not clear their cane dues to the farmers on time despite the cane commissioner issuing recovery certificates (RCs) against them. The new provision will be invoked only after exhausting the existing provisions of recovery.

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<sup>5</sup> <https://indianexpress.com/article/opinion/columns/sweet-taste-of-freedom/>

<sup>6</sup> <https://www.financialexpress.com/industry/up-amends-law-group-companies-of-defaulting-sugar-mills-may-have-to-cough-up-dues/2382830/>

### 3. In-depth Interview Analysis

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To get hold of enriched understanding of the situation, we conducted in-depth interview of 11 farmers(respondents) from 3 districts of UP: Meerut, Saharanpur & Muzaffarnagar with a gender ratio of 5:6 (Female:Male). To get a flexible grip on the topic we designed a semi structured questionnaire to conduct the interviews. Also, the language of the interview was kept Hindi. Followings are the findings of the interview:

- When asked about land holding all of the respondents held the land between 1.2 to 3 acres of land. 2 of 11 respondents had rented other lands where they give production's 1/3 monetary value to the lender.
- When asked about the cropping pattern, 7 out of 11 respondents grow Sugarcane only while rest use the rotation cropping where the rotation crop is generally wheat.
- When asked about whether they require additional labour to perform agricultural tasks, 6 out of 11 respondents answered yes. They (farmers) pay 300-450 Rs per day to male workers and 200-300 Rs to female workers. Hence we can see the difference between the wages in male and female workers.
- When asked about where they sell their produce, 5 out of 11 sell their produce solely to the sugar mills, 3 out of 11 sell their produce to both sugar mill and jaggery producers while the rest 3 sell their produce solely to the jaggery producers.
- To sell to the sugar mills, sometimes farmers have to wait in line at the sugar mills to get their produce sold and the wait time varies from 5 hours to 3-4 days. This wait time further results in cost addition to the farmers as they have to keep the logistical supports<sup>7</sup> at the mills only.
- When asked about what are the payment structure offered by both sugar mills and jaggery producers, the response was unanimous in the case of sugar mills, which was 350 Rs per quintal of sugarcane. While the payment received from jaggery producers varied from 200-275 Rs<sup>8</sup> per quintal of sugarcane. Here we can see the payment gap between Jaggery producers and sugar mills.
- When asked about the reasons behind the gaps between the payment received from the sugar mills vs Jaggery producers, we got unanimous rationale from all the respondents which is the variation in payment days between sugar mills and jaggery producers. Where jaggery producers pay the farmers on the time of delivery of the sugarcane and in some cases they make advance payments as well, depending on the relationship between the jaggery producer & the farmer. Whereas, the sugar mills take at least a year to deliver the payments to the farmers and in some cases they take more than a year. Further this dissemination in payments from sugar mills cause several distress to the farmers resulting in borrowing money to support the farming for the next session as the payment is largely stuck with the millers.<sup>9</sup>

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<sup>7</sup> (vehicle, labours, farmer)

<sup>8</sup> All the numeric values are relevant to February 2022.

<sup>9</sup> Sugar Mills

- When asked about whether the respondents know about the policy which states millers to repay the sugarcane farmers within 14 days of delivery and if the millers fail to repay in the mentioned time frame they are bound to pay around 15% interest per annum on the amount, we got all the affirmative response. When further asked about whether they get the interest on the amount, the answer was negative. Or in other words, no miller pays interest to the farmers on the due payments. Which showcases lack of monitoring of the policies. Which further acts against the farmers, influencing them to take loans, largely from unorganised sector on a high interest rate. Which further results in the stress on the farmers.
- When asked about whether there is any organisational setup which helps farmers to negotiate with the millers, we got negative response unanimously.

In conclusion, We can say that there is issue with the supply chain of the sugarcane, whether it is rigorous wait time for the farmers to sell the produce at sugar mills, the gap between the payments received from sugar mills and jaggery producers, the gap between wages received by female and male workers at the grassroot level or the due payments to the farmers by sugar mills up until a year. And to streamline the sugarcane supply chain some changes are required.

## 4. Analysis through Gender lens

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This section will through light on the participation of women into the sugarcane production, their challenges, and initiatives in order to overcome those challenges.

### 4.1 Current scenario

Despite having formed the backbone of sugarcane cultivation, women are still referred to as “the hidden farmers”<sup>10</sup>. They have very limited or no access to education, land, financial services or other resources. Thus, it is a need of the hour to develop policies and strategies with focus on women development, along with development of their skills and capabilities and wages equality, with the growing feminization of agriculture.

The output of the land and the agricultural activities controlled by women is less than their male counterparts, along with a drastic gap in the wages paid to women versus that male workers in agriculture. This gap goes up to 50% per day<sup>11</sup> for the same amount of work done by both.

### 4.2 Challenges faced by women workers

- **Neglect of women’s health**, apart from prevailing malnutrition in rural areas, despite her being the main member of the house and caretaker of the family; which in turn reduces her capacity to work (Gore et al, 2013).

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<sup>10</sup> (<https://economicaffairs.co.in/Journal/abstract/id/NTQ5>)

<sup>11</sup> Finding from the in-depth interviews of the farmers

- **Land ownership** is another major issue as land is significantly owned by male farmers and women are by and large dependent on their husbands/partners. (The amendments in the Hindu Succession Act have however provided a respite with their mandate towards joint ownership of land.)
- **Introduction of technology** on one hand makes the agricultural activities easier, however women lack opportunities to learn latest technologies or are adept in their work, again due to lack of knowledge and training that should be provided.
- The **workload** on women since their very early days takes away their opportunity to obtain proper education and adding to it any preferential treatment given to a male child deprives women of better opportunities in their education and overall development.
- **Cutting of sugarcane** requires hard labour and women workers have to wake up early in the morning to tend to their household responsibilities, cook for the family and leave during the dawn for a day full of long working hours, with very limited alternatives being available.

#### 4.3 Initiatives to address the issues<sup>12</sup>

- Vasantdada Sugar Institute organises an annual training program for women development as Shetty Dnyan Laxmi training program with focus upon women cane growers from the Maharashtra state. This training is provided on improved cane cultivation technologies. Under this program, women get a platform and opportunity to interact with each other, share their farming experiences, and prevalent problems and practices in sugarcane farming
- In addition to such training programmes, articles of the Constitution of India also provided for gender equality. Also, there have been various steps taken by the Government of India, by bringing out schemes specific to women and policies like National Policy for Empowerment 2001.
- Formation of various Self Help Groups have also aided the economic empowerment of women by facilitating their access and control of both financial and productive resources for farming and maintaining other modes of livelihood.

#### 4.4 Conclusion

There has been a need for a more complex and demanding strategy of livelihood, given the increasing responsibilities in recent times on women's shoulders to both reproduce and maintain a healthy family, especially in lower-income countries.

This holds true more so in a country like India where both men and women are engaged in farming activities equally. However, a long duration and labour intensive crop like sugarcane determines the local access of resources and their types based on gender. Thus, to address both internal and external dynamics of rural families, a diverse set of livelihood strategies are required.

It is of utmost importance to impart training and input support to women, especially training related to technology in order to create a positive impact on participation of women in sugarcane agriculture. This includes conjugation of both the central Government as well as the state governments to take active steps in providing women the right the right role in various activities and provide them opportunities in every sphere.

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<sup>12</sup> [https://www.researchgate.net/publication/277010892\\_Women\\_in\\_Sugarcane\\_Farming\\_Challenges\\_and\\_Opportunities](https://www.researchgate.net/publication/277010892_Women_in_Sugarcane_Farming_Challenges_and_Opportunities)



## 5. Recommendations

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### 5.1 Recommendations related to the act (policy changes)

- The state government should allow millers to enter into a contract with farmers under the conditions of a free market, and restrict itself to ensuring the enforcement of such contracts.
- The controls on molasses need to be eased with respect to the movement out of the state, as well as quota and prices for the potable liquor industry which need to be dropped to make the sugar sector more profitable.
- Since the recovery ratio and pricing of sugar and by-products vary from state to state, the value of these will be different, and so will the pricing of cane, which can be worked out for each sugarcane zone.

### 5.2 Recommendations with a functional view (implementation changes, w/o any change in policy framework)

- Colour coding mills based on payment history as done in Maharashtra by the Sugar Commissioner of the state, should be implemented in Uttar Pradesh as well.
- Adoption of revenue sharing formula: As proposed by the Rangarajan Committee, as well as the Commission for Agricultural Costs and Prices (CACP), had recommended in their respective reports a switch to the revenue-sharing principle, where cane pricing is 70 percent of the value of sugar and its first-stage by-products.
- Need for policies that focus on maximising water productivity, land productivity, and promote cane in water resource rich areas like eastern UP and Bihar, more than Maharashtra and Karnataka.
- To promote keeping the price of cane in sync with the value of sugar and its by-products in the state of Uttar Pradesh.

### 5.3 Recommendations on the basis of in-depth interview

- Equal wages structures for both male and female workers should be implemented with a monitoring committee.
- Establishing FPOs- establishing FPOs in the regions with Small and margin farmers being member will give more bargaining power over payment issue with both the sugar mills and jaggery producers.
- Formation of more CC<sup>13</sup> in the villages for better streamlining of the supply chain of the sugarcane which will further reduce the wait time of the farmers at sugar mills.
- Forming a committee for monitoring of the payment policies implementations by the sugar mills and push Jaggery producers to pay the farmers not less than the FRP<sup>14</sup>.
- Promotion and marketing of jaggery via government or FPOs so that jaggery producers can experience the increase in demand of jaggery and further raise demand for the sugarcane to the farmers which could influence price of sugarcane and farmers could get higher prices for the produce (at least the FRP).

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<sup>13</sup> CC- Collection centres

<sup>14</sup> FRP- Fair and remunerative price