CHAPTER II | SUGARCANE PRICING POLICY – A REVIEW

2.1 INTRODUCTION:

Agricultural Price Policy is a very sensitive and complex field. However it plays an important role in the development of agricultural sector. An important aspect of the agricultural price policy is the assurance to the farmers, that their efforts to augment production through adoption of improved technology would not become unremunerative through the price factor. Such a policy is the sine-qua-non of building a modern scientific agriculture.

The price of agricultural commodities have an added significance in a country like India, because agricultural commodities are essential and basic items of consumption. Most of the people spend almost two third of their expenditure on agricultural produce[1].

Agricultural prices also plays a significant role in determining the production pattern, not only of agricultural sector but of many manufacturing industries which depends upon agriculture for supply of their raw-materials.

Agricultural prices also affect the prices of consumer goods like textiles, sugar, cigarettes, jute etc.

Agricultural prices can also shape the desired cropping pattern and bring about changes in agricultural production in accordance with the objective of national economic policy. Simultaneously it also helps to economic planning, price stability and price incentives which are rather significant for economic progress, particularly that of agriculture.

Although agricultural prices occupy a pivotal position in the price structure of developing economy like India.

2.2 NEED FOR AGRICULTURAL PRICE POLICY:

In the free market economy the prices of agricultural commodities are prone to unexpected and violent fluctuations with adverse effects on the pattern and volume of agricultural production. The variations in production also affect consumers. The two major aspects of price policy therefore are,

(a) To protect producer's interest by removing or at least mitigating the major uncertainties which afflict the agricultural economy, and

(b) To safeguard the interests of low income consumers by assuring them minimum supplies of foodgrains at reasonable prices[2].

The main cause of instability of agricultural production lie in the irregular and seasonal nature of agricultural production, and the low price elasticity of demand for most agricultural products.

In the course of erratic price fluctuations, farmers cannot make investment in modern technologies for agricultural growth. So minimum price guarantee given by the Government is essential.

2.3 OBJECTIVES OF AGRICULTURAL PRICE POLICY:

The objectives of the agricultural price policy differs in different countries depending upon the place of agriculture in national economy, the production patterns and the resource potentials available in the country.

The major objectives of agricultural price policy should be to increase agricultural production by creating economic incentives for the farmers. The objective of improving agricultural income will be achieved as a sequel to increased production and productivity.

Agricultural prices have three important functions viz,

1) to allocate resources,

2) to distribute incomes, and

3) to induce capital formation.

2.4 SUGARCANE PRICE POLICY:

There are three important sweetening agents viz, Sugar, Gur and Khandsari. Out of these, Sugar is one of the important and essential consumer goods produced from sugarcane in the sugar factories. Sugarcane is one of the important cash crops in India.

The sugarcane plant is classified under the genus 'Saccharum'. The word is derived from the sanskrit word 'Sarkaro'. Sugarcane has references even in Atharva Veda and has a history of 3000 to 7000 years[3].

Of late there is a serious discussion on the cost of cultivation and the prices of sugarcane. So it is imperative to examine the process of price formation of sugarcane and the relationship between price changes and the output fluctuations of the sugarcane. There are important inter-regional, inter-sectoral and inter-class differences in the process of the formation of the price offered for cane by the sugar industry.

The cane growers in India encountor three different market situations.

1) The unorganized or unregulated market, which is the

market in which cane is sold to the gur or khandsari producers.

2) The market provided by the private sector sugar factories.

3) The market provided by the co-operative sugar factories[4].

In each of these markets different levels of prices of cane prevails. The process by which these different prices are determined also varries. In Maharashtra state, there is no even single sugar factory in public sector. In Maharashtra state total sugar factories are divided into two sectors, viz. private and co-operative undertakings.

In this chapter, an attempt is made to understand how sugarcane prices are determined and regulated by the Central Government from time to time.

The sugarcane price policy has a long back history since 1934. The pricing of sugarcane has always been a complex issue, because it involves the conflicting interests of cane growers, sugar factories and even the Central Government and State Government. The fixation of minimum sugarcane prices is a first step followed as a policy of the Central Government of India since 1934.

2.5 MINIMUM SUGARCANE PRICES:

The minimum prices of sugarcane payable by each sugar factories have been notified by the Government every year at the beginning of sugar season. These prices are applicable to individual factories for a particular season. The minimum price of sugarcane covers the cost of production and also provides a fair margin of profit.

The need for a minimum price for sugarcane supplied to factories emerged within a short period after passing of a legislation of Sugar Industry Act 1932. It was intended to benefit both the industry and the grower. In practice, however, the benefit was reaped more by the industry than by the cane growers. Accordingly with a view to ensuring the farmer, a fair and reasonable price for his produce i.e. Sugarcane, Act of 1934 was passed. This Act conferred powers on the provincial Government to fix minimum prices for cane. Accordingly the Governments of U.P. and Bihar, for the first time in India, the minimum prices were fixed subsequently the other state Governments like Maharashtra enacted their legislations and the minimum prices for cane continued to be fixed by state Government till 1950-51.

2.6 EARLY TRENDS IN SUGARCANE PRICING:

Till 1950, the statutory minimum price for cane

(SMP) was fixed only in certain cane growing states and that was established separately for each state by the respective state Governments. In 1950 the Tariff Board suggested that, such interregional variations be eliminated and that uniform prices be determined for the entire country. The Government acquired the powers to do so through the Sugar and Gur Control Order 1950. Under this order the SMP was initially fixed purely on a weight basis and not in terms of cane quality. In 1955 a modified sugarcane control order was passed, which stipulated the minimum price for cane payable by white sugar producing factories. This is determined on the basis of the following factors,

a) the cost of production of sugarcane,

b) the return to the grower from alternative crops and the general trend of prices of other agrioultural commodities,

c) a fair price of sugar for the consumer,

d) the price at which sugar produced from cane is sold by producers of sugar and

e) the recovery of sugar from sugarcane[5].

However, the minimum price of sugarcane was being fixed purely on weight basis except in Gujarat and Maharashtra upto the 1961-62 season. During this period there continued to be inter-regional variations in the prices of cane, whereas some states have developed the special formula to link its price to that of sugar.

2.7 METHOD OF FIXING THE SUGARCANE PRICES:

The state Governments followed different principles and methods from time to time in fixing the minimum price of sugarcane. In accordance with the recommendation of the Tariff Board (1950) a provision was made in the sugarcane (control) order, 1955 (since replaced by the sugarcane control order, 1966) requiring the central Government to fix the minimum price for cane[6].

Following main principles and methods were adopted by the central and state Government in fixing the minimum sugarcane prices from time to time.

i) Linking cane price to prevailing sugar price.

ii) Fixing minimum cane price, unrelated to sugar price for the whole or part of the season,

iii) Fixing the 'consolidated price' related to percentage of sugar recovery,

iv) Linking cane price to extra realisation from the sales of sugar[7].

There were some variations in the above outlined principles and methods, which were continued until 1962-63. From 1962-63 onwards the Government of India adopted the policy of fixing the minimum price of sugarcane linked with the recovery basis of sugar from sugarcane.

The present system guarantees a specified minimum price for sugarcane upto a specified percentage of recovery (8.5) and provides for a premium for every additional 0.1 percent recovery.

The minimum statutory sugarcane price is fixed by the Government of India under the provisions of the sugar-cane (control) order 1966, after giving consideration to the recommendations of the A.P.C. The views of the state Governments, the industry, the sugarcane growers and other concerned interests.

The Central Government took into consideration of dissatisfaction of the Tariff Board (1950) about the ad-hoc manner of fixing the minimum sugarcane prices.

The following factors are considered while fixing the minimum sugarcane price by the Central Government.

i) Cost of production of sugarcane.

ii) The return to the grower from alternative crops and the general trend of prices of agricultural commodities.

iii) The availability of sugar to the consumers at fair price,

iv) The price at which sugar produced from sugarcane is sold by producers of sugar, and

v) The recovery of sugar from sugarcane[8].

The minimum sugarcane price is fixed with the object of ensuring the payment of a guaranteed price for cane by the factory to the growers. Thus the main elements of the statutory minimum price, as are practiced to-day can be summarised as,

a) a minimum cane price,

b) a basic level of sugar recovery,

c) a premium for every 0.1 percent increase in sugar recovery over the basic level, and

d) the average sugar recovery of the factory during a fixed period (optimum period).

Thus, the Central Government fixes the cane price each year considering the first three constituents of the formula which are changing from time to time[9].

Since 1966-67 the Central Government is consulting CACP in respect of fixation of the minimum prices for sugarcane. The reports of the CACP are submitted to the Government in January every year.

The Central Government, after consultation with such authorities, bodies and associations as are considered necessary by it to be consulted and on the basis of basic minimum price at Rs.31 per quintal linked to a recovery of 8.5 percent or below with a premium of 36.4706 paise per quintal for every 0.1 percent increase in recovery above 8.5 percent for the sugar season of 1992-93 and Rs. 34.50 per quintal linked to a recovery of 8.5 percent, or below with a premium of 40.5882 paise per quintal for every 0.1 percent increase in recovery above 8.5 percent for the sugar season of 1993-94 and fixes the minimum sugarcane prices all over the country and the individual sugar factories. The minimum price that shall be payable by the owners of the vacum pan process sugar factory specified in the corresponding entry in column(2) of the said schedule or their agents for sugarcane delivered at the gate of the factory or any purchasing centre for the sugar seasons of 1992-93 and 1993-94, subject to the rebates, payable therefore, under clause 3A of the said order[10].

Table 2.1 illustrates the minimum sugarcane prices so far fixed for the sugar factories in Maharashtra as the central Govt's. and CACP's norms for the years 1992-93 and 1993-94.

Table 2.1: Minimum Sugarcane Prices Fixed by Central Government

Sr. No.	Name of the factory	Minimum sugarcane price in rupees per qtl.	
		1992-93	1993-94
1	Ajinkyatara	43.04	49.92
2	Ashoknagar	40.12	44.65
3	Marali	43.76	48.30
4	Belganga	37.20	43.84
5	Bhima (Patas)	39.75	47.08
6	Bhima (Mohol)	41.21	45.46
7	Brima	38.66	44.24
8	Bhavaninagar	40.85	45.86
9	Daulat	46.68	52.36
10	Dayaneshwar	41.58	47.08
11	Gandhinglaj	47.05	51.95
12	Gangapur	40.12	45.86
13	Girna	37.20	40.18
14	Godavari Dudhana	40.85	46.27
15	Godavari Manar	41.21	42.62
16	Hutatma	47.41	52.76
17	Georai	38.66	46.68
18	Nalegaon	39.75	43.02

Contd....

Sr. No.	Name of the factory	Minimum sugarcane price in rupees per qtl.	
		1992-93	1993-94
19	Kadwa	43.75	49.52
20	Kannad	43.85	45.86
21	Karmveer	41.21	45.05
22	Kolhapur	43.76	48.30
23	Kada	38.66	44.65
24	Kopergaon	41.94	47.08
25	Krishna	45.12	51.14
26	Kumbhi Kesari	45.22	52.36
27	Madhukar	36.11	42.62
28	Malegaon	40.12	45.05
29	Marathwada	38.66	40.99
30	Atpadi	40.12	45.05
31	Mula	41.94	46.68
32	Palse	39.02	45.05
33	Niphad	44.86	49.92
34	Sakharwadi	40.12	44.24
35	Pravaranagar	41.94	47.08
36	Basmathnagar	40.85	44.24
37	Ravalgaon	41.21	47.08
38	Sahyadri	46.32	49.52
39	Samarath	40.12	46.27

Contd....

Sr. No.	Name of the factory	Minimum sugarcane price in rupees per qtl.	
		1992-93	1993-94
40	Sangamner	41.21	47.49
41	Sanjivani (Takli)	43.40	47.49
42	Bhuinj	42.67	48.30
43	Sangli	42.67	48.71
44	Killari	41.21	40.18
45	Malinagar	40.12	43.43
46	Mahankali	43.04	48.30
47	Asurle	42.67	49.92
48	Bhogawati (Shahunagar)	44.49	52.76
49	Kagal	45.59	49.92
50	Shirol	45.59	50.74
51	Bidri	44.86	50.74
52	Jagdamba	39.39	46.27
53	Panchganga	43.40	48.71
54	Panzarakhan	35.38	44.24
55	Paithan	40.85	46.68
56	Kumathe	39.39	43.43
57	Satpuda	39.02	45.86
58	Someshwar	40.85	43.43
59	Shrigonda	39.39	44.65
60	Shriram	39.39	48.71

Contd....

Sr. No.	Name of the factory	Minimum sugarcane price in rupees per qtl.	
		1992-93	1993-94
61	Sadashivnagar	41.94	47.49
62	Vithal	38.66	45.46
63	Sillod	39.02	44.24
64	Warangnagar	47.41	53.17
65	Dhoki	38.29	41.81
66	Vithewadi	39.39	46.27
67	Kasoda	35.74	41.81
68	Pusad	40.48	43.84
69	Walwa	45.22	51.14
70	Theur	40.85	46.27
71	Akluj	40.48	43.84
72	Khanapur	44.13	46.27
73	Jalna	38.29	43.84
74	Babdeo Mouda	39.02	44.24
75	Manjara	43.76	45.86
76	Naldurg	39.02	40.59
77	Jamani	38.66	44.65
78	Vishwas	45.59	50.33
79	Wainganga	36.47	43.84
80	Balaji	36.84	41.81
81	Belapur	37.93	37.34
82	Rajgad	36.47	46.27

Contd....

Sr. No.	Name of the factory	Minimum sugarcane price in rupees per qtl.	
		1992-93	1993-94
83	Rahuri	41.58	46.68
84	Shirpur	35.74	45.05
85	Golegaon	40.48	43.02
86	Vighneshar	41.94	49.92
87	Parsoda	38.66	45.46
88	Bhogawati (Vairag)	38.29	43.43
89	Vrideshwar	36.47	43.02
90	Parner	40.12	46.46
91	Ganeshnagar	41.21	85.86
92	Indapur	40.12	47.49
93	Tasgaon	41.94	74.49
94	Majhalgaon	-	34.50
95	Agasti	-	42.62
96	Phulambri	-	40.18
97	Sant Damaji	-	34.50
98	Hpari	-	34.50
99	Jijamata	36.84	-
100	Ambajogai	36.11	-
101	Sanjay	34.28	-
102	Gajanan	37.20	-

Source : - Compiled from co-operative sugar -
1) March-93 Vol. 24, No.7, PP.304, 305.
2) September-October 93 Vol. 25, No. 1 & 2 PP.23, 24.

2.8 ROLE OF AGRICULTURAL PRICES COMMISSION (APC):

In India, the main problem is settling up the price policy and to keep the producer's and consumers interest in mind. The APC set up by the Government of India in January 1965 is to help the Government in involving a balanced and integrated price structure that would be fair both to the producer and the consumer and achieve for the country an optimum land use and production pattern broadly in the light of national requirement.

While recommending the price policy and the relative price structure, the commission is required to keep the following main considerations in view,

a) the need to provide incentive to the producer for adopting improved technology (to maximise production) and for developing a production pattern broadly in accordance with national requirements,

b) the need to ensure rational utilisation of land, water and other production resources,

c) the likely impact of price policy on rest of the economy and specially on cost of living and level of wages, and

d) the likely impact of price policy on terms of trade between agricultural and non-agricultural sector's[11].

From 1962-63 to 1966-67 a premium was allowed on the price at 4 paise per quintal for every 0.1 percent increase in the average certified recovery. In August 1967, when partial decontrol was introduced, the minimum price was raised significantly to Rs.7.37 per quintal and from the 1967-68 season, a premium of 5.36 paise per quintal has been allowed for every 0.1 percent increase in recovery. The same rates continued for the year 1968-69 and 969-70. During the seasons 1967-68 and 1968-69, sugar factories paid sugarcane prices much higher than the statutory minimum.

During 1967-68 to 1971-72 the minimum price of sugarcane was fixed at Rs. 7.37 per quintal linked to a basic recovery of 9.4 percent. Sugar mills, generally pay the minimum price fixed by the Government. In 1972-73, not only the price of sugarcane was raised to Rs. 8 per quintal, but recommended recovery had been reduced from 9.4 percent to 8.5 percent.

From 1972-73 onwards recovery limit is kept constant at the rate of 8.5 percent whereas the statutory minimum prices are changing from time to time. The change in SMP is shown in Table No. 2.2.

The statutory minimum price of sugarcane payable by sugar factories for the 1992-93 season has been raised to Rs. 31.00 per quintal linked to the same recovery of 8.5 percent as against Rs.26.00 per quintal for the previous season.

For the 1993-94 sugar season, the statutory minimum price of sugarcane has been announced in advance at Rs. 32.50 per quintal linked to the same recovery of 8.5 percent.

The Commission for Agricultural Costs and Prices (CACP) has recommended a revision in the statutory minimum sugarcane price to Rs.36.50 a quintal linked to a 8.5 percent basic recovery for 1993-94 season. This is an increase of Rs. 4 over the price suggested by the CACP much before the sowing season, and is aimed at compensating farmers for increase in input costs. In its report to the Union Government, the CACP has also recommended in advance an increase of Rs. 6.00 in the minimum price to Rs. 38.50 a quintal linked to a basic recovery of 8.5 percent for the 1994-95 season[12].

The revised prices are linked to be accepted by the Government without modifications.

The statutory minimum sugarcane prices are linked to recovery in the sugarcane, because the farmers are induced to grow more sugarcane varieties with higher surcrose content. This probably promotes an efficiency in cane cultivation. The system of minimum sugarcane price for a certain recovery coupled with premium for each percentage, point is supposed to minimise the inter-regional disparities in the sugarcane price.

2.9 SUGARCANE PRICING - 1951 ONWARDS:

The statutory minimum price of sugarcane to be paid by the factories fixed by the Government of India from 1950-51 onwards is as shown in following Table No. 2.2.

Table 2.2: Statutory minimum and actual price paid for sugarcane.

Season	SMP @ in Rs.	Basic Recovery	Premium (£)	Range of SMP (Rs/quintal)	Range of actual price paid by factories
1	2	3	4	5	6
1950-51	4.60	-	-	-	-
1951-52	4.69	-	-	-	-
1952-53	3.52	-	-	-	-
1953-54	3.85	-	-	-	-
1954-55	3.85	-	-	-	-
1955-56	3.85	-	-	-	-
1956-57	3.85	-	-	-	-
1957-58	3.85	-	-	-	-
1958-59	3.85	-	-	-	-
1959-60	4.34	-	-	-	-
1960-61	4.34	-	-	-	-
1961-62	4.34	-	-	-	-
1962-63	4.34	9.8	0.04	-	-
1963-64	4.69	9.0	0.04	-	-
1964-65	5.36	10.4	0.04	-	-
1965-66	5.36	10.4	0.04	5.36-6.48	-
1966-67	5.68	9.4	0.04	5.68-6.84	-
1967-68	7.37	9.4	0.0536	7.37-9.35	-
1968-69	7.37	9.4	0.0536	7.37-9.35	7.37-15.00
1969-70	7.37	9.4	0.0536	7.37-9.09	7.37-10.00
1970-71	7.37	9.4	0.066	7.37-9.22	7.37-11.55
1971-72	7.37	9.4	0.066	7.37-9.48	7.37-18.50#
1972-73	8.00	8.5	0.094	8.00-11.57	8.00-15.50#
1973-74	8.00	8.5	0.094	8.00-11.29	8.00-18.00#
1974-75	8.50	8.5	0.10	8.50-12.40	8.50-18.65
1975-76	8.50	8.5	0.10	8.50-12.80	8.50-17.50#
1976-77	8.50	8.5	0.10	8.50-12.70	8.50-16.60#

Contd....

1	2	3	4	5	6
1977-78	8.50	8.5	0.10	8.50-12.40	8.50-16.50#
1978-79	10.00	8.5	0.117647	10.00-14.59	10.00-14.71#
1979-80	12.50	8.5	0.147059	12.50-18.68	12.50-22.00#
1980-81	13.00	8.5	0.152941	13.00-18.35	13.00-28.00
1981-82	13.00	8.5	0.152941	13.00-18.81	13.00-26.00
1982-83	13.00	8.5	0.152941	13.00-19.12	13.00-23.00
1983-84	13.50	8.5	0.158824	13.50-19.69	13.50-26.20
1984-85	14.00	8.5	0.164706	14.00-20.42	15.00-35.00
1985-86	16.50	8.5	0.194118	16.50-24.07	16.50-32.19
1986-87	17.00	8.5	0.20	17.00-25.00	17.60-28.10
1987-88	18.50	8.5	0.21765	18.50-26.77	18.50-38.60
1988-89	19.50	8.5	0.2294	19.50-27.99	19.50-49.50
1989-90	22.00	8.5	0.2588	22.00-32.09	22.00-56.00
1990-91	23.00	8.5	0.270588	23.00-34.36	30.00-60.10*
1991-92	26.00	8.5	0.305882	26.00-38.54	26.00-52.00*
1992-93	31.00	8.5	0.364706	31.00-47.41	N.A.
1993-94	34.50	8.5	0.405882	N.A.	N.A.
1994-95	37.00	8.5	-	-	-

Source:

1) Sanjaya Baru, (1990): The Political Economy of Indian Sugar - State Intervention and Structural Change, published by S.K. Mookerjee, Oxford University press YMCA Library Building, Jai Singh Road, New Delhi - 110001. P. 148.

2) Co-operative sugar - March 1993, Vol.24, No.7. P.343.

3) Co-operative Sugar "September-October 1993, Vol.25, No. 1 and 2 P.16,17

Notes:

@ -SMP - Statutory minimum price for sugarcane (Rs./Quintal).

£ - Premium payable on every 0.1 percent increase in recovery.

- Advance prices paid by factories.

* - Provisional.

Before 1950s the statutory minimum sugarcane prices differ in different zones. However, the SMPs had been declared by the Central Government for all zones. After 1950s, the Central Government had been declaring only one SMPs for all zones. In between 1950-51 to 1961-62 the SMP was fixed purely on weight basis and not in terms on cane quality. In 1950-51, the SMP was fixed at Rs. 4.60 per quintal. Next year the SMP was slitely increased to Rs. 4.60 to Rs. 4.69 per quintal. Since then the SMP was reduced. Between 1953-54 to 1958-59 the SMP was constant at Rs. 3.85 per quintal. In 1959-60 the SMP had been increased to Rs. 3.85 to 4.34 per quintal. These rates were kept constant during the period between 1959-60 to 1962-63.

From 1962-63 the SMP has been fixed purely on quality basis, i.e. sugar recovery. Generally the trend of SMP is increasing since 1960.

When the SMP was fixed on the basis of sugar recovery of 9.8 percent was considered. But in 1963-64 the recovery limit has been reduced to 9 percent. Once again in 1964-65, the recovery limit had been increased from 9 percent to 10.4 percent. However, in 1966-67 the recovery limit had been reduced from 10.4 percent to 9.4 percent.

From 1972-73, the basic recovery limit is strictly kept constant at 8.5 percent.

In 1962-63, the premium payable on every 0.1 percent increase in recovery was at 0.04 paise for every quintal. The premium has been increased to 0.0536 paise in 1967-68.

In 1970-71 and 1974-75 the premium payable on every 0.1 percent recovery had been increased to 0.066 paise, and 0.10 paise per quintal respectively. After 1978-79, the premium payable is continuously increasing and reached 0.405882 paise per quintal in 1993-94.

The range of SMP and the range of actual prices paid by factories are also increasing except 1984-85 and 1990-91 season. The range of actual prices paid by factories is greater than the rate of SMP per quintal.

The Central Government announced increased Statutory Minimum Price (SMP) for sugarcane payable by sugar factories for the 1993-94 and 1994-95 sugar season. The SMP payable by sugar factories for the 1993-94 season has been raised to Rs. 34.50 per quintal linked to a basic recovery of 8.5 percent with proportionate premium for every 0.1 percent increase in recovery above the level[13].

The SMP so announced is against the price for the

1992-93 season fixed at Rs. 31.00 per quintal and Rs. 32.50 per quintal announced in advance in February 1992-93 for the 1993-94 season.

Since the 1986-87 season, the SMP of sugarcane had been announced in advance of the crushing season. The SMP of sugarcane payable by sugar factories is fixed by the Central Government for each year (October-September) under clause III of the sugar (control) order 1966.

For the 1994-95 sugar season the SMP of sugarcane is fixed in advance at Rs. 37.00 per quintal[14].

2.10 SUGARCANE PRICE AS DETERMINED UNDER BHARAGAV FORMULA:

Government of India received the report of the Second Sugar Inquiry Commission in 1974. The Second Commission was setup under the chairmanship of ex-Supreme Court Judge, Justice Shri. V. Bhargav. The commission considered the problem of erratic supply of sugarcane to the sugar factories and came to conclusion that it could be greatly stabilised if cane growers could be held to their agreements for supply of cane in years of shortage. An incentive to give the growers, the Commission came out with a scheme under which the growers were entitled to a share of profits arising out of excess realisation from sale of free sugar. The scheme known as the Bhargav formula, envisaged the sharing of extra sales realisation between factory and the sugarcane growers on equal basis. Under statutes (clause 5A, sugarcane control order, 1966) the sugar factories are required to pay an additional cane price to growers computed in accordance with the following formula.

$$X = \frac{R - L + 2A + B}{2C}$$

Where, -

'X' =is the additional price in rupees per quintal of sugarcane payable by the producer of sugar to sugarcane grower.

'R'= is the amount in rupees of sugar produced during the sugar year excluding the excise duty paid or payable to the factory by the purchaser.

'L'= is the value in rupees of sugar produced during the sugar year, as calculated on the basis of the unit cost per quintal ex-factory, exclusive of excise duty determined with reference to the minimum sugarcane price fixed under clause 3, the final working results of the year and the cost schedule and return recommended by such authority as the Central Government may specify from time to time.

'A' =is the amount found payable for the previous year but not acutally paid.

'B'= is the excess or shortfall in realisations from actual sales of the unsold stocks of sugar produced during the sugar year as on 30th days of September. Which is carried forward and adjusted in the sale realisation of the following year.

'C'= is the quantity in quintals of sugarcane purchased by the producer of sugar during the sugar year[15].

This formula is popularly reffered to as Bhargav Formula in sugar industry circles. The GOI accepted the Bhargav Formula from 1974-75.

2.11 STATE ADVISED SUGARCANE PRICES:

The statutory minimum price of sugarcane is announced every year by the Government of India on the basis of the recommendations of the CACP. This price constutes a floor price, which the sugar factories are required to pay for cane. From the early 1970 onwards, a new concept came into existence, namely, the State Advised Price (SAP). The SAP can be viewed as a 'mark up' over the SMP, and reflects the power of the sugarcane growers lobby in any given state, since it is the State Government which advise the factories to pay a price for sugarcane over and above the SMP. These prices are not linked to the recovery. In fixing these prices, the State Governement are mainly guided by prices being paid in adjoining states and prices paid by co-operative sugar factories during the previous season. For obvious reasons the prices of sugarcane are likely to be on the hihger side[16].

The advantage of high state advised sugarcane prices is confined only to those cane growers who are able to sell their sugarcane to sugar factories. The high sugarcane price paid by the factories, has given rise to more intensive and extensive sugarcane cultivation around these factories which in tern has resulted in increased production of sugar.

In India out of 16 sugar zones, 11 sugar zones have paid the prices as adviced by State Governments. In Maharashtra State Government advises different cane prices for different sugar factories. After the close of crushing season, the final price proposed to be paid by each factory is placed before a Ministerial Committee headed by the Cheif Minister, which lays down a broad guidelines on cane prices.

2.12 CONCLUSIONS:

In conclusion, it can be stated that, the sugar-cane priciing policy, now-a-days is a routine matter. The factory level prices are higher than SMP or SAP even except a few cases. The sickness in sugar industry is growing because of farmer's reluctancy to undertake the cultivation of sugarcane because of declining yield of sugarcane and increasing cost of cultivation. Therefore there is a need to overview the performance of sugar factories in relation to the sugar policy, sugarcane pricing policy and the policy towards the sugar industry in general.

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