Lockdown impact: Domestic sugar consumption

Part of: GS-III- Economy-Sugar policy (PT-MAINS-PERSONALITY TEST)

According to rating agency Icra, the national lockdown due to COVID-19 pandemic has adversely impacted the sugar demand, resulting in a decline in the sugar prices to closer to minimum support price (MSP) levels of Rs 31 per kg from Rs 32.5 per kg in February 2020.

The demand for sugar has witnessed a significant decline following the nationwide lockdown and the overall adverse impact on sugar consumption would be at least one million tonne in the domestic market.

The report further said that the sugar mills are unable to fulfill their monthly sales quota allocated by the government owing to demand squeeze.

The various reasons -

1. With nationwide lockdown, the ice cream, soft drinks and confectionery manufacturers have shut down their operations. In spite of summer season where sale is high they cannot manufacture and sell.
2. With most countries under lockdown globally, the demand has also declined resulting in a fall of the global sugar prices,
3. Further the decline in crude prices, Brazil is likely to divert more cane towards sugar production which could exert pressure on global sugar prices.

These factors have consequently led to a pressure on the working capital requirements of sugar mills and thus a rise in cane dues to farmers. However, the mills exporting sugar are likely to gain on rupee depreciation to an extent. The domestic sugar mills have already contracted close to 3.5-4 million tonne for export, it said, adding that the exports are likely to resume from June-July 2020.

In Maharashtra, he said the crushing operations have been impacted due to issues on harvesting and transportation owing to labour shortage with most of the migrant workers returning to their respective states.

PIB addition

The Union Cabinet has cleared a proposal to create an emergency sugar reserve of 4 million tonne and approved the Fair and Remunerative Prices for sugarcane for the year 2019-20.

Sugar Industry

- Sugar industry is an important agro-based industry that impacts rural livelihood of about 50 million sugarcane farmers and around 5 lakh workers directly employed in sugar mills.
- India is the world’s second largest sugar producer after Brazil and also the largest consumer.

Price Determination of Sugarcane
Sugarcane prices are determined by:
  - Federal Government
  - State Government

The Federal/Central Government announces **Fair and Remunerative Prices** which are determined on the recommendation of the **Commission for Agricultural Costs and Prices** (CACP) and are announced by the **Cabinet Committee on Economic Affairs**, which is chaired by Prime Minister.

The **State Advised Prices** (SAP) are announced by key sugarcane producing states which are generally higher than FRP.

**Commission for Agricultural Costs and Prices (CACP)**

- The Commission for Agricultural Costs and Prices (CACP) is an attached office of the Ministry of Agriculture and Farmers Welfare, Government of India. It came into existence in January 1965.
- It is an advisory body whose recommendations are not binding on Government.