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**SPECIAL ISSUE IN HONOUR OF PROF. N. RATH**

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# SUGARCANE AND SUGAR SECTORS - NEED FOR EFFICIENCY OVER EXPEDIENCY

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*The Sugarcane and Sugar sectors in the Indian ecosystem is beset with regulatory pricing and controls. This has caused distortions and inefficient resource allocations, thus warranting further sequential interventions. Such interventions serve as short term solutions, and may not necessarily achieve the desired sectoral efficiency. A complete overhaul of the system needs to address the fundamental issue of guaranteed pricing and offtake. A beginning can be made to improve the efficiencies by mandating crop-diversification and initially linking the price incentives to the same. One of the leading sugarcane and sugar producing States like Maharashtra could lead the way for such reforms and could, thus, ideally showcase the benefits of market reforms to other States through such pragmatic policies.*

## **Backdrop:**

The Indian agricultural sector has systematically underperformed since many decades, despite being a recipient of large subsidies and incentives across the production and market chains. The woes in this sector and the solutions for the same have been well documented and articulated by various researchers, media and policy makers [Balkrishna et. al., 2021; Chand, 2019]. Yet, the agriculture-ecosystem is mired in a myriad of complex regulations with market reforms not really having impacted the sector [Reddy, 2001]. Instead of the dynamism that was required to be infused in the agricultural economy, a system of administered prices and controls continued to follow,

thus bringing about distortions. The sugarcane and sugar economy, are an example in this direction, both plagued with regulatory pricing and controls, not only by the Centre but also by the states. This has caused excess land allocation, excess supply, cost squeeze on sugar mills, thereby warranting further and sequential interventions by the governments. This paper attempts to highlight some of these issues and suggests an urgent need to overhaul the sugar sector. We begin with the status of the sector in recent years.

## **Sugarcane and Sugar -Recent Status**

Sugarcane is an important commercial crop in India supporting about 50 million farmers (about 34 percent of the farming

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