Indian Economy · GS - III

Examine the major causes of delayed sugarcane payments to farmers in India. Suggest measures to ensure remunerative prices and financial sustainability in the sugar industry.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 20/10/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

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Answer Hint

FRP, sugar mill liquidity, cane arrears, sugar prices, ethanol blending, cooperative mills, payment enforcement, crop diversification, farmer income security.

Model Answer

Introduction

Sugarcane is an important commercial crop that supports rural livelihoods and the sugar industry. Delayed payments by sugar mills can create serious financial difficulties for farmers, particularly those dependent on seasonal agricultural income.

Causes of Payment Delays

- **Liquidity constraints:** Mills may struggle to pay farmers when sugar prices or sales revenues are insufficient to meet production costs and cane obligations.
- **Operational inefficiencies:** Poor financial management, outdated technology and weak market access can affect mill viability.
- **Price and cost pressures:** Rising cultivation costs and uncertainty in sugar and by-product markets can squeeze farmers’ and mills’ finances.
- **Weak enforcement:** Delays in enforcing statutory payment obligations can prolong cane arrears.

Measures for Reform

The government should ensure timely payment of the applicable Fair and Remunerative Price, strengthen monitoring and enforce penalties for unjustified delays. Modernisation of mills, transparent accounting and improved access to credit can improve financial sustainability.

Expanding ethanol production and efficiently utilising bagasse and other by-products can diversify mill revenues. Crop diversification and water-efficient farming should also be encouraged in regions facing groundwater stress.

Conclusion

A viable sugar industry and secure farmer incomes require predictable pricing, timely payments, better mill management and sustainable agricultural practices.