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EDITORIAL ANALYSIS

Bitter Harvest: Sugar Prices, Duty-Free Imports and the Ethanol Alibi

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Bitter Harvest: Sugar Prices, Duty-Free Imports and the Ethanol Alibi

Business Standard 27 August 2026 GS3

INTERVIEW ANGLE

"When a commodity price spikes, the ethanol programme is usually blamed first. What would you need to see in the data before accepting or rejecting that explanation?"

Source: Original editorial ↗ Business Standard

Every fact web-verified against primary sources

THE LIFT LINE

Sugar policy is asked to be food policy, farm-income policy and energy policy simultaneously. In a good year nobody notices. In a bad year the three cannot all be satisfied.

WHY THIS EDITORIAL MATTERS FOR YOUR EXAM

Sugar is the clearest available case of a single crop sitting at the intersection of three policy domains, and the ethanol question makes it a live GS3 topic rather than a static one.

GS Paper 3: Major crops and cropping patterns; issues of buffer stocks and food security; energy; government policies and interventions.

CONCEPT	MEANING	WHY IT IS TESTABLE
Ex-mill price	The price at which a mill sells sugar at the factory gate	Determines whether an import window is actually used
B-heavy molasses	An intermediate molasses stream with higher sugar content, divertible to ethanol	The technical lever of sugar-to-ethanol diversion
Stock limits	Caps on quantities traders may hold	The anti-hoarding complement to an import window

BACKGROUND AND CONTEXT

The Price and Production Picture

INDICATOR	FIGURE
Retail sugar, 20 July	About ₹48.18 per kg
Retail sugar, 20 August	About ₹55.70 per kg, a rise of roughly 16 per cent
Output realised	About 30.6 million tonnes
Initial estimate	About 34.3 million tonnes
Corrective measure	Duty-free import window for **1 million tonnes** of raw sugar until **31 October**; **stock limits**, in context, of 400 tonnes for dealers (1 August to 30 November) and 15 days' consumption for bulk consumers (from 1 September); crushing advised to begin 15 October

Causes of the Shortfall

STATE	CAUSE
Maharashtra and Karnataka	Excess rain and waterlogging
Uttar Pradesh	**Red rot** disease and **top-borer** infestation

Red rot, caused by the fungus *Colletotrichum falcatum*, is the most economically damaging sugarcane disease in India and is the reason varietal replacement is a recurring policy concern in Uttar Pradesh.

The Pricing Architecture

INSTRUMENT	DETAIL
Fair and Remunerative Price (FRP)	The Centre's minimum cane price, fixed on CACP advice under the Sugarcane (Control) Order, 1966
State Advised Price (SAP)	A higher price declared by some States, notably Uttar Pradesh
Minimum Selling Price (MSP) for sugar	A floor on ex-mill sugar sales, distinct from crop MSP

The coexistence of a centrally fixed FRP and a higher State Advised Price is a standing source of mill arrears, because mills are obliged to pay a price the sugar market may not support.

The Ethanol Programme

The **Ethanol Blended Petrol Programme** diverts cane juice and B-heavy molasses to ethanol. India achieved its **20 per cent blending** target ahead of the original schedule. Feedstock has broadened toward **maize and damaged foodgrain** following restrictions on cane juice diversion in deficit years.

THE ANALYSIS

1. The diagnosis is agronomic and the editorial keeps it that way. Waterlogging in the western belt and disease and pest pressure in Uttar Pradesh account for the gap between estimate and outcome. Naming specific causes matters, because it prevents the shortfall being attributed to whichever policy is politically convenient.

2. Imports plus stock limits is a well-matched pair. An import window alone adds supply that traders can absorb into inventory if they expect prices to rise further. Stock limits remove that expectation. Neither instrument works as well alone, and using both together indicates the policy was designed rather than announced.

3. A permissive window is not an executed one. This is the editorial's most practical observation. If **ex-mill prices fall**, the margin between world and domestic prices narrows and importers simply do not lift the permitted quantity. Policy that depends on private arbitrage delivers only what the arbitrage supports, which is why perhaps half the million tonnes may actually arrive.

4. The ethanol defence has two distinct limbs, and both are worth stating. First, **share**: ethanol's proportion of sugar use has been declining, so a rising diversion cannot explain a shortfall. Second, and more interesting, **payment velocity**: ethanol sales pay mills faster than sugar sales, which accelerates cane payment to farmers. Given that cane arrears are the sector's chronic disease, a channel that shortens the payment cycle carries a farm-income benefit that pure sugar sales do not.

5. The counter-argument is structural rather than about this year. Ethanol does compete for the same cane. A **fixed** diversion share necessarily shrinks the buffer available when output disappoints, and correlation between Indian and world cane cycles means imports are dearest exactly when India needs them. Both propositions can be true while ethanol still did not cause this particular shortfall.

DATA AND INSTITUTIONS VAULT

PRELIMS-GRADE FACTS:

Retail sugar rose about 16 per cent in the month to 20 August, from about ₹48.18/kg to about ₹55.70/kg.

Output about 30.6 million tonnes against an initial estimate of about 34.3 million tonnes.

Corrective: duty-free import window for 1 million tonnes of raw sugar to 31 October; stock limits, for context, of 400 tonnes for dealers (1 August to 30 November) and 15 days' consumption for bulk consumers (from 1 September); crushing advised to begin 15 October.

Two retail price series are in circulation and they differ sharply. For context, the 16 per cent rise is the series Business Standard cites (₹48.18 on 20 July to ₹55.70 on 20 August), while a parallel ministry series gives ₹48.73 on 24 July to ₹63.05 on 24 August, about 30 per cent. Prices eased after the import approval and stock limits took effect.

Ethanol's share of sugar use is in fact declining, from about 12 per cent in 2022-23 to about 9 per cent in 2025-26, with grain-based ethanol now nearly three-fourths of production. This is what defeats the "ethanol caused the shortage" claim.

Causes: excess rain and waterlogging in Maharashtra and Karnataka; red rot and top-borer in Uttar Pradesh.

Red rot is caused by *Colletotrichum falcatum*.

FRP is fixed by the Centre on CACP advice under the Sugarcane (Control) Order, 1966; SAP is declared by some States.

A separate Minimum Selling Price for sugar sets an ex-mill floor.

The Ethanol Blended Petrol Programme uses cane juice, B-heavy molasses, maize and damaged foodgrain; India met 20 per cent blending ahead of schedule.

Do not confuse the **Minimum Selling Price of sugar***, an ex-mill floor for the commodity, with the* **Minimum Support Price** *for crops, or with the* **Fair and Remunerative Price** *for cane. Three different instruments, three different objects. Also,* **FRP is central and SAP is a State price***; where SAP exceeds FRP, mills owe the higher amount.*

THE DEBATE

FOR (the import window is the right corrective): The shortfall has identified agronomic causes. Time-bound duty-free imports paired with stock limits address supply and hoarding together. Ethanol's share of sugar use is falling and its faster payment cycle helps farmers, so blaming it misreads the data.

AGAINST (ethanol is a structural competitor): Ethanol and sugar draw on the same cane. A fixed diversion commitment reduces the buffer precisely when the harvest disappoints. Import reliance exposes consumers to world prices in years when Indian and global cane cycles are both weak.

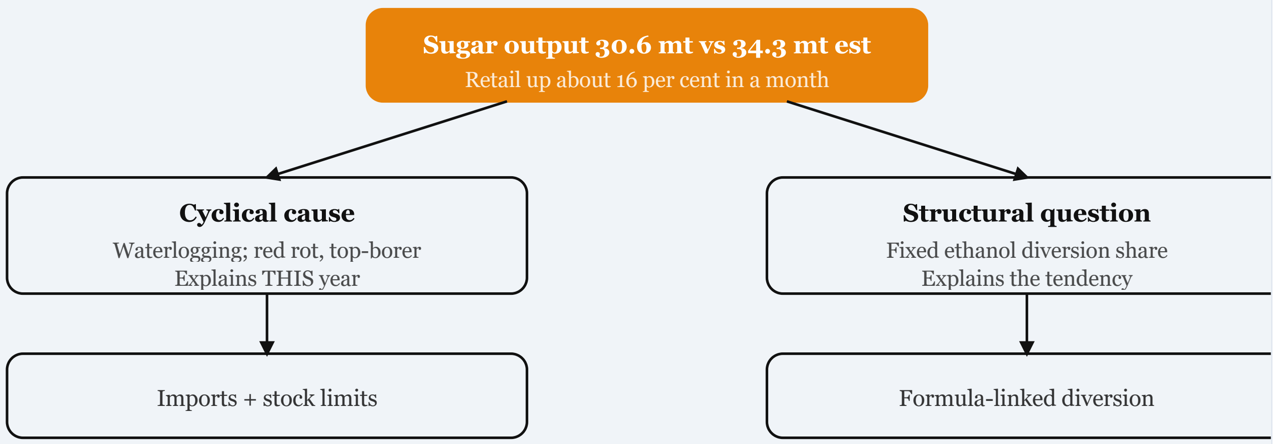
Balanced verdict: The two positions are compatible once separated by timeframe. **For this year**, the editorial is right that agronomy explains the shortfall and ethanol does not. **Structurally**, the objection stands: a fixed diversion share is a commitment made in advance of knowing the harvest. The reform that follows is to make the allocation **formula-linked to projected output and opening stocks**, so diversion falls automatically in a deficit year; to publish **early and honest production estimates** so corrective imports can be timed before a price spike rather than after; and to continue broadening feedstock toward **maize and damaged grain** so the fuel programme is not hostage to a single crop.

HOW TO THINK ABOUT THIS

When a shortage appears in a commodity that serves several policy objectives, resist attributing it to the newest of those objectives. Novelty attracts blame.

Instead, separate **cyclical** from **structural** explanations. A cyclical cause, weather, disease, pest pressure, explains a particular year. A structural cause, a standing policy commitment, explains a persistent tendency. Both can be present, and confusing them produces the wrong reform: correcting a structural policy in response to a cyclical shock overcorrects, while dismissing a structural risk because this year's cause was cyclical leaves it in place. Saying which is which, explicitly, is the analytical move.

DIAGRAM-IN-WORDS



Different causes need different fixes; conflating them overcorrects one and ignores the other

Both columns are real. The error the editorial guards against is answering the left-hand cause with a right-hand policy change, or vice versa.

TAKEAWAY BOX

Sugar policy is asked to be food policy, farm-income policy and energy policy simultaneously. In a good year nobody notices. In a bad year the three cannot all be satisfied.

Retail sugar ₹48.18 to ₹55.70 per kg in the month to 20 August, about 16 per cent; output 30.6 mt against 34.3 mt estimated; duty-free window for 1 mt raw sugar to 31 October with stock limits; red rot caused by Colletotrichum falcatum; FRP fixed by the Centre on CACP advice under the Sugarcane (Control) Order, 1966; SAP is a State price; a separate Minimum Selling Price sets an ex-mill floor; India met 20 per cent ethanol blending ahead of schedule.

When a fuel programme and a food commodity compete for the same crop, whose interest should take precedence in a deficit year, the consumer's or the farmer's?

Connects to past UPSC Mains questions on the ethanol blending programme, on cane pricing and mill arrears, and on the food-versus-fuel debate.

"In a deficit year, India's sugar policy cannot simultaneously protect the consumer, the cane farmer and the ethanol target." Critically examine.

Source: Bitter Harvest: Sugar Prices, Duty-Free Imports and the Ethanol Alibi — Ujiyari.com | Free UPSC & State PCS Editorial Analysis

KEY ARGUMENTS AT A GLANCE

Business Standard argues that with retail sugar prices up about 16 per cent in a month and output falling to roughly 30.6 million tonnes against an initial estimate of about 34.3 million tonnes, the Centre's duty-free import window for one million tonnes of raw sugar until 31 October, backed by stock limits, is the right corrective, while cautioning that falling ex-mill prices may mean only about half the permitted quantity is actually imported, and that blaming ethanol diversion alone for the shortfall is misplaced.

✓ SUPPORTING

- The production shortfall has identifiable agronomic causes: excess rain and waterlogging in Maharashtra and Karnataka, and red rot and top-borer infestation in Uttar Pradesh, which together account for the gap between the initial estimate and the realised output.
- A time-bound duty-free import window paired with stock limits addresses both blades of the problem, since imports add supply while stock limits deter hoarding that would otherwise absorb the additional supply without moderating prices.
- Ethanol's share of sugar use has been declining rather than rising, and diversion to ethanol delivers mills faster payment and therefore quicker cane-price settlement to farmers, so treating it as the cause of scarcity misreads both the data and the incentive it creates.

⚠ COUNTER

The counter-view is that the ethanol programme does structurally compete with sugar for the same cane, that a policy committing a fixed share of feedstock to fuel necessarily reduces the buffer available when the harvest disappoints, and that relying on imports to cover a domestic shortfall exposes consumers to world prices in exactly the years when world prices are also elevated, since Indian and global cane cycles are correlated.

→ WAY FORWARD

The durable answer is to make the sugar-ethanol allocation responsive rather than fixed: set the diversion share by a formula linked to projected output and opening stocks so it falls automatically in a deficit year, publish early and honest production estimates so corrective imports can be timed before prices spike, and broaden ethanol feedstock toward maize and damaged grain so the fuel programme is not hostage to a single crop.

MAINS ANSWER FRAMEWORK

QUESTION

India's sugar economy is simultaneously a food policy, a farm-income policy and an energy policy. Examine the trade-offs this creates, with reference to recent price movements. (250 words)

INTRODUCTION

India's sugar sector is asked to do three jobs at once: keep retail sugar affordable, assure cane farmers a remunerative and timely price, and supply feedstock for the ethanol blending programme. Business Standard's editorial examines what happens when a poor harvest forces those three objectives into open conflict.

BODY

The immediate facts are a retail price rise of about 16 per cent within a month, from around Rs 48.18 a kilogram in the third week of July to Rs 55.70 on 20 August, against a production outcome of roughly 30.6 million tonnes where about 34.3 million tonnes had initially been estimated. The causes are agronomic and specific: excess rain and waterlogging in Maharashtra and Karnataka, and red rot disease together with top-borer infestation in Uttar Pradesh.

The Centre's response, a duty-free window for one million tonnes of raw sugar imports until 31 October combined with stock limits, is well matched to the diagnosis, because imports address the supply gap while stock limits prevent the additional supply from being absorbed into hoarded inventory. The editorial's caution is that the instrument may under-deliver: with ex-mill prices falling, importers may find the arbitrage insufficient and lift only about half the permitted quantity, which is a reminder that a permissive policy is not the same as an executed one.

The more analytically interesting argument concerns ethanol. The Ethanol Blended Petrol Programme diverts cane juice and B-heavy molasses to fuel, and it is routinely blamed whenever sugar tightens.

The editorial contests this on two grounds: ethanol's share of sugar use has been declining rather than expanding, and diversion to ethanol pays mills faster than sugar sales do, which accelerates cane-price payment to farmers and eases the arrears problem that has dogged the sector for decades.

CONCLUSION

A balanced answer should accept that ethanol does compete for the same cane and that a fixed diversion share reduces the buffer in a bad year, while rejecting the claim that it caused this shortfall, which has identified agronomic causes. The durable reform is to make the diversion share formula-linked to projected output rather than fixed, and to broaden ethanol feedstock beyond cane.

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