

3.4 Problems and Challenges of Sugarcane Farmers

Background

Due to the geography, soil quality, irrigation accessibility, and favorable weather, the lower Terai region is the hub for Nepal's agricultural production. The production of various cash and food crops in the region, is also Nepal's agricultural backbone.

According to the Prospect and Challenges of Sugarcane Development in Nepal: Production, Market and Policy (Amita Pandey and Sudip Devkota-2020) Nepali sugarcane production contributes less than one percent to the production of SAARC countries, and Nepal ranks 41st among the sugar producing countries in the world. Sugarcane is a major cash crop in Nepal and it contributes 2.1 percent of the Agriculture Gross Domestic Product (AGDP). Despite its position in relation to the hectare it covers, Nepal lies in the 41st position among others in terms of the volume of production. Nepal produces 0.16 percent of the total sugarcane in the world.

Proper care to the sugarcane crop can lead to good harvests for at least three years after plantation and this can result in sizeable earning for farmers. Further, sugarcane can be grown also on land not suited for other crops, which is also advantageous to people with lands not good for other crops. Sugarcane farming is done in 15 districts of Nepal's Terai (plains).

Some of the major problems faced by Nepal's sugarcane farmers are lack of

technical knowledge on farming and lack of consultation mechanisms, agricultural loans, lack of access in policy re/formation agendas and process, untimely and irregular payments from the sugar mills, difficulties in receiving governmental subsidy on time, and inability to increase sugarcane yield.

The sugarcane farmers from the plains have organized two protests in Kathmandu within a year and the main demand was that they be paid the money that sugar mills owed them. The farmers had organized the protest in December 2019 and returned after assurance of payment by the government. The farmers then postponed the protest after the sugar mill owners also assured them that they would be paid. The payments outstanding in December 2019 added up to NRs. 1.40 billion and following some payments had come down to NRs. 650 million in December 2020. Some banks had also issued notice of auction of collateral land that the farmers had provided for loans after they were not repaid. This article discusses sugarcane cultivation and the issues faced by farmers in Kapilvastu and Nawalparasi (West) districts, which are similar to those faced by sugarcane growers across Nepal.

Agriculture is the main source of household income in West Nawalparasi and Kapilbastu districts of Lumbini Province. According to the statistics of Food and Agriculture Organization Corporate

2018, sugarcane is grown on 71,466 hectares of land in Nepal and the production is about 3.23 million tons of sugarcane each year, making it a major cash crop.¹ In West Nawalparasi, sugarcane is grown in about 5,100 hectares of the total 25,955 hectares of cultivatable land in the district. In Kapilbastu District about 4,000 farmers were engaged in sugarcane farming. There are three sugar mills and 117 crossers in district – Lumbini Sugar Mill, Indira Sugar Mill, and Bagmati Sugar Mill. About 4000 farmers of Shivaraj Municipality and Krishnanagar Municipality of Constituency No. 3 were involved in sugarcane production.

About five years ago, the Mahalaxmi Sugar Mill in the district purchased cane from about 8,000 growers in about 8,000-9,000 hectare of land. But after the mill started periodic closure every year since 2015, the number of growers decreased to 4000 and the area under cultivation was also reduced to 1,400 hectares. The major problems faced by the sugarcane growers in the district were:

- Delayed payments by industries to the farmers
- Lack of adequate agricultural workers, and
- Inability of the government to ensure that cane growers were paid for cane on time.

Objectives

The objectives of this article are,

- To identify problems faced by farmers engaged in sugarcane farming, and
- To understand the demand of farmers and the outstanding payments due to them.

Research Methods

The study used a number of tools to collect information for this report. These included field observations, interviews, consultations with farmers, review of relevant reports, including relevant laws and agreements and reports published in the media.

The study was limited to five rural municipalities of Susta, Pratappur, Sarawal, Palhinandan, and Ramgram of West Nawalparasi; and Krishnanagar Municipality and Shivaraj Municipality as well as Bahadurganj of Krishnanagar, and Jawahari, Chanai, Shivapur and Birpur of Krishnanagar Municipality in Kapilvastu district. The study focused on the problems faced by farmers who were not paid for their product. The study's respondents included owners of sugar mills, cane growers, as well as struggle committees formed by farmers to demand payment from mill owners.

Problems Faced by Cane Growers

West Nawalparasi is an area known for its sugar cane production. It was grown in 5500 hectares of about 25,955 hectares of cultivable land. Until not long ago, about 7,000 hectares of land was used for growing sugarcane, but that has decreased – perhaps – reflecting the problems faced by the farmers. Generally, Nepal's production and supply of sugarcane is lower than the crushing capacity of mills. The seasonal and lower supply of cane has led the sugar mills to operate for a short crushing periods of around four to seven months a year.² According to the District Committee of the sugarcane farmers, the main reason for the lower supply compared to demand by mills is the delayed or no payment to the farmers

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1. https://www.researchgate.net/publication/342457317_Prospects_and_Challenges_of_Sugarcane_Development_in_Nepal_Production_Market_and_Policy/link/5ef5489b299bf18816e80784/download
 2. https://www.researchgate.net/publication/342457317_Prospects_and_Challenges_of_Sugarcane_Development_in_Nepal_Production_Market_and_Policy/link/5ef5489b299bf18816e80784/download

from the sugar mills. This had led to other problems such as not being able to repay loans taken from the banks, which then led to the banks auctioning the collateral.

The farmers there were yet to receive NRs. 183.4 million in outstanding payment from the three sugar mills in the district. Umesh Kumar Yadav, Chairperson of District Sugarcane Producers' Organization, said the outstanding amount to farmers at the Sunwal Sugarcane Mill was NRs. 100 million, Indira Sugarcane Mill NRs. 80 million, and Bagmati Sugarcane Mill, NRs. 3.4 million.

Binod Kalwar, a cane grower at Pratapapur-8 said he had promised his money lender an interest of five percent each month but because he was unable to pay, the person has now begun growing crops on his land. My payment has been due for three years and now, the land (collateral) could be auctioned. Another cane grower from Susta-5 said, "We were forced to quit sugarcane farming and go for other crops because we have not received payment for three years. Wherever we go, we need to borrow money on interest, we are afraid we have to face the same problems with other crops also."

The Lumbini Sugar Mill of Sunwal owed NRs. 100 million to the farmers. The mill was closed at the time of the study. Jorsingh Majhi, the Assistant District Administrator, said that the mill owners had been out of contact for about 15 months. Durga Chaturvedi, Chief of the Sales Management Section of Indira Sugar Mills, said "Farmers are disappointed because they have not been paid, our problem is the inability to sell sugar in the market which is why we have not been able to pay." There are also some disputed payments. In the case of Indira Sugar Mill the farmers said it had not paid NRs.80 million, which the mill said was around NRs. 50 million.

The farmers who had not been paid the outstanding amounts faced additional troubles because they had not received any subsidy from the government.

According to the District Administration Office, NRs. 49 million sent to the district in 2018/19 (2076 BS) as subsidy had remained unspent in the account of the District Office of the Financial Comptroller. The District Sugarcane Production Organization members said this amount has remained at the office because of the difficult legal procedure involved in receiving payments. According to Umesh Kumar Yadav, the Chairperson of District Sugarcane Producers' Organization, even the government has been delaying in providing the subsidy to the farmers. The farmers had not received the subsidy earmarked for payment in 2019.

Likewise, in Kapilbastu, even though sugarcane is a major produce and there are sugar mills, crushers, and juice makers who buy cane locally the farmers were deprived of getting good value after the Mahalaxmi Sugar Mill shifted the factory. This mill itself had not paid farmers NRs. 70 million before it moved, and 8000 farmers there had not received the government subsidy of NRs. 25 per quintal of produce. This was supposed to have been provided in 2015/16 (2071/72 BS).

The farmers said they had not received payment for the sugarcane from the mill owners since 2015. These farmers from Nawalparasi, and Kapilbastu and other parts of the country first came to Kathmandu to demand their payments in December 2019. Many feared that the banks could move in an auction the collateral to recover their loans and that would leave them with nothing.

The protests in Kathmandu culminated in an agreement between the government and farmers on January 3, 2020 that said the payments would begin within January 21, 2020. Thereafter the farmers postponed their protest. The agreement was signed by Hareshyam Raya, Secretary of the protesting sugarcane growers, and Dinesh Bhattarai, Joint Secretary, Government of Nepal in the presence of the Minister for Industry,

Commerce and Supply, Lekh Raj Bhatta. In the agreement the parties had agreed that the ministry would coordinate for ensuring the payments, form a task force to resolve the problem, to undertake studies to make the subsidy effective and the farmers agreed to postpone their protest, among others.

The COVID-19 pandemic added to the woes of the sugarcane farmers as they could not even find work as wage laborers. The non-payment by the sugar mills has even forced many to consider stopping cane growing altogether, and some have already begun shifting to growing bananas and vegetables.

At most a year after the agreement, with government the farmers of Province 2 had not received payments for their produce, who gathered again in Kathmandu to press for the payments. This round of protests at Maitighar began on December 10, 2020. Their complaints were also the same – they had not received payments since 2015 that had added up to NRs 1.2 billion (mill owners said this was NRs 656 million) they also accused the mill owners of delaying payment because they could get away with it. Following a decision at the Ministry of Home Affairs, on December 15, 2020 the government issued an order to District Administration Office to arrest mill owners who had not paid the farmers.

Government of Nepal provides subsidies on chemical and organic fertilizers, machinery, and insurance and also fixes the purchase price of sugarcane. Despite these facilities, the cost of sugarcane cultivation is still on the high side in Nepal (NRs 469/quintal). More than half of the cost of production goes to paying by labor. Other costs are that of chemical fertilizers, manure and land preparation.³ The government agreed to provide “incentive subsidy” for cane production, which the

farmers had not yet received.

The 2020 agreement with farmers said that the government will provide NRs. 65.28 per quintal as the subsidy amount. The Ministry of Home Affairs agreed to draw the attention of the Ministry of Agriculture and Livestock Development and the Ministry of Finance regarding the issue. Similarly, the government also designated the Department of Commerce and Supply Management as contact point for addressing the problem regarding the payment to farmers and mediate between the sugar mill owners and the farmers. After this, on December 18, 2020, the government asked the farmers to stop their protest.

National and International Laws on the Rights of Farmers and Laborers

The definition (b) of Food Rights and Food Sovereignty Act (1999) has defined a “farmer” being a citizen engaged in agriculture as the major profession and lives entirely through the vocation. It also includes family member’s dependent of that citizen or a person who is engaged in agricultural activities for more than six months or a citizen who is engaged in making agricultural tools and the family member of that citizen.

Likewise, in definition (c) of the same Act has defined “agricultural land” as land for farming or land used for agricultural production or land allocated for agriculture in accordance with the existing laws.

According to the United Nations Guiding Principles of Occupation and Human Rights (2011), state should be responsible for the respect, protection, and maintenance of occupational human rights as they are provisioned. In the case of cane growers, it is evident that Government of Nepal has not everything possible for protecting their rights. The Subsidy

3. https://www.researchgate.net/publication/342457317_Prospects_and_Challenges_of_Sugarcane_Development_in_Nepal_Production_Market_and_Policy/link/5ef5489b299bf18816e80784/download

Providing Procedure to Sugarcane Farmers (2018) and its amendment of 2019 requires a sugarcane farmer to submit a document of evidence that clearly states the area of land under the crop along with the evidence of the quantity of sale as provisioned in Section 5 (9) (a). The section 9 (b) of the same article says that the farmer who has used others land on lease has to submit the letter of contract that clearly mentions the plot number and the area of land. In case the farmer cannot produce the documents as provisioned in above mentioned Article and sections, section 9 (c) of the same article states that the farmer has to submit the recommendation letter from the local level government along with the evidence of plot number, area, and the quantity of production. The provision also says its account should be maintained separately.

According to the Article 25 (1) related to the Fundamental Rights in the Constitution of Nepal (2015), every citizen has the right to earn property, use it, sell it, make profit from business, and engage in transactions of other properties under the existing laws. In the case of the cane growers there are complications in the ability of farmers to enjoy the provisions in the Article above, in addition to being exploited by sugar mills. There are also questions on the effectiveness of the Government in assuring farmers their rights.

Conclusion

Nepal is still an agriculture-based country but the incomes of farmers have been decreasing despite the modern ways of farming. One reason is the lack of adequate knowledge about the new methods and technologies. Sugar cane growing can become a good source of income for farmers if provided access to use technology and fair market relation. The production of sugarcane in Nawalparasi alone could contribute towards reducing sugar imports. However, this has not happened; more and more people were moving from

cane growing farming because of the delay or no payment by sugar mill owners. The non-payment has deprived farmers of their economic and professional rights. Therefore the responsibility of the Government to ensure that all outstanding payments are made. Also important is assuring farmers of timely payments in the future.

Recommendations

The following recommendations have emerged from the study. Firstly, it is important that the Government make substantial efforts to ensure that the outstanding payments to farmers are cleared by mill owners. Similarly, the Government should fix the price of sugarcane before the harvest and dispatch of the produce for processing. In the longer term, it would be important for providing technical advice and trainings to farmers to improve farming methods, alongside support to increasing irrigation and making available other inputs such as fertilizers, subsidies, and low-interest loans, on time. Support for increasing production by expanding irrigation and by providing chemical and organic fertilizers in time are other considerations. In addition to the above, the Government should investigate the allegations against sugar mill owners and provide necessary redress to farmers.

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