

SUGARCANE PRICING AND ITS IMPACT ON SUGAR PRODUCTION IN A SELECTED MILL ZONE AREAS OF BANGLADESH

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Abstract

Sugarcane is an important cash-cum-industrial crop and sugar is an important food item in Bangladesh. This study endeavoured to fulfil the objective of analysing the pricing system of sugarcane, identifying the non-price factors influencing sugarcane supply in the mill by the farmer, trend of sugar production in relation to procurement and price of sugarcane and to suggest a suitable procurement policy after examining the existing procurement policy for a sustainable level of sugar production. This study is based on mostly of secondary data. Primary data also collected from 60 cane producer farmers and 50 gur makers from Natore sugar Mill zones in the Natore District. The finding of the study reveals that the gur maker purchased cane from the farmers during the period 1994-95 to 1996-97 at the rate of Tk. 1018.4 per ton, Tk. 1179.2 per ton and Tk. 1206 per ton instead of Tk. 1005 per ton as fixed by the Government. BSFIC in the last season (1996-97) recommended no change of cane price (Tk 1005 per ton) as offered by the Government since 1990. The estimated output response function indicates a positive output response for the hectares (areas) under cane and the coefficient (1.15) is not significant but the coefficients of regression for previous years price (P_{t-1}) is highly significant at 1 percent levels and the regression coefficients show a positive relationship. It is worth mentioning that, the change in total output of sugarcane in Bangladesh is mainly due to change in prices of sugarcane fixed by the Government. But in respect of hectares response of sugarcane and determination of price ratio of cane to its competing crops, it was found that sugarcane areas diverted to other crops. Sugarcane supply to the mill in response to changes in price and determination of an effective price of sugarcane indicates that the price of sugarcane be increased by Tk. 52.08 per ton or Tk. 1.94 per maund in the mills gate, if the cane supply is not sufficient. That means cane supply to the mill largely depends on one year lagged price of cane. Supply ratio response of cane to sugar mills for price ratio of gur to sugar indicates that the price of gur restrain the supply of cane to the sugar mill and the farmers decision as how much cane will be supplied to sugar mills and production of sugar depends primarily on the price of cane fixed by the Government as well as the price offered by the gur maker. It was observed that after establishment of Natore Sugar Mill, in the first cane crushing season (1984-85) sugar production was at the lowest (818.5 ton) due to the lowest amount of cane procured (20415.0 ton) by the mill, with a low recovery rate (4.5%) at a fixed cane price of Tk. 522.6 per ton.

Highest amount of sugar produced (25750.0 ton) due to higher amount of cane procurement (321549.55 ton) with relatively moderate sugar recovery (8.0%) at a cane price of Tk. 1005.0 per ton in the year 1994-95. Hence sugar production depends upon the success of cane procurement policy and again cane procurement depends on price of cane (both the price offered by the mill and price offered by the gur maker). It was found in the study area that cane sold to the mill by small, medium and large farmers were 68.2, 72.3 and 56.7 percents respectively. Large farmers sold less of their produced cane to the sugar mill compared to other groups. Sugarcane sold to the gur makers by small, medium and large farmers were 24.4, 20.0 and 35.8 percent respectively. Among them the large farmers divert large quantity of cane to the gur makers. Supply of insufficient purjee, delay in payment, high transport cost, defecting weighing machine and low price of cane fixed by the Government were the major problems faced by the farmers in selling cane to the mill. Cane procurement target achievements were found 87.36 and 68.45 percents and sugar production target achievements were found 86.76 and 64.26 percents in the year 1995-96 and 1996-97 respectively, due to sugar mills could not procure required quantity of cane prevailing low cane price fixed by Government which remained unchanged from the year 1991-92 cane production season, on the other hand, the gur makers always paid a higher price of cane.