



Fair and Remunerative Price (FRP) for Sugarcane

Context:

Maharashtra Government issued a government resolution which will allow sugar mills to pay the basic Fair and Remunerative Price (FRP) in two tranches.

Relevance:

GS-III: Agriculture (Agricultural Pricing and Marketing, Food Security)

Dimensions of the Article:

1. What are the changes in the government resolution?
2. What is Fair and Remunerative Price (FRP) for Sugarcane?
3. What are the Concerns behind FRP for Sugarcane
4. MSP for Sugar
5. Sugar Industry in India

What are the changes in the government resolution?

- The first installment would have to be paid within 14 days of delivery of cane, and would be as per the average recovery of the district.
- Farmers would get the second installment within 15 days of the closure of the mill after calculation of the final recovery, which would take into account the sugar produced, and the ethanol produced from 'B heavy' or 'C' molasses.
- Thus, instead of relying on last season's FRP, farmers would be paid as per the current season's recovery.

Why are farmers in Maharashtra protesting?



- Farmers argue that this method would impact their incomes. They point out that while FRP will be paid in installments, and will depend on an unknown variable, their bank loans and other expenses are expected to be paid for as usual.
- Also, farmers mostly require a lumpsum at the beginning of the season (October-November), because their next crop cycle depends on it.

What is Fair and Remunerative Price (FRP) for Sugarcane?

- FRP is fixed under a **sugarcane control order, 1966** and it is the minimum price that sugar mills are supposed to pay to the farmers.
- However, states determine their own **State Agreed Price (SAP)** which is generally higher than the FRP.

Factors considered for FRP of Sugarcane

The amended provisions of the Sugarcane (Control) Order, 1966 provides for fixation of FRP of sugarcane having regard to the following factors:

- cost of production of sugarcane;
- return to the growers from alternative crops and the general trend of prices of agricultural commodities;
- availability of sugar to consumers at a fair price;
- price at which sugar produced from sugarcane is sold by sugar producers;
- recovery of sugar from sugarcane;
- the realization made from the sale of by-products viz. molasses, bagasse, and press mud or their imputed value;
- reasonable margins for the growers of sugarcane on account of risk and profits.

What are the concerns behind FRPs for Sugarcane?

- FRPs would adversely affect the financial health of the sugar factories in times of low sugar prices where the companies has to pay the MSP even though the sugar prices are



low.

- The FRPs are not market-based and are priced at artificially inflated levels by governments.
- This, in turn, puts pressure on the sugar mills who have to purchase the crop from the farmers at these inflated FRPs.
- And while the government has raised ethanol prices dramatically to help sugar mills find an alternative source of demand to pay for the excessively priced sugarcane, once oil prices fall to reasonable levels, oil PSUs won't be able to afford the ethanol.

Minimum Selling Price (MSP) for Sugar

- The price of sugar is market-driven & depends on the demand & supply of sugar.
- However, with a view to protecting the interests of farmers, the concept of MSP of sugar has been introduced since 2018.
- MSP of sugar has been fixed taking into account the components of Fair & Remunerative Price (FRP) of sugarcane and minimum conversion cost of the most efficient mills.

Basis of price determination

- With the amendment of the Sugarcane (Control) Order, 1966, the concept of Statutory Minimum Price (SMP) of sugarcane was replaced with the Fair and Remunerative Price (FRP) of sugarcane in 2009-10.
- The cane price announced by the Central Government is decided on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP).
- This is done in consultation with the State Governments and after taking feedback from associations of the sugar industry.

Sugar Industry in India

- India is the **world's largest consumer of sugar**.
- India is the **world's largest producer of sugarcane** and second largest producer of sugar after Cuba.
- Some 50 million farmers and millions of more workers, are involved in sugarcane farming.
- Sugar industry is broadly distributed over two major areas of production- Uttar Pradesh,



Bihar, Haryana and Punjab in the north and Maharashtra, Karnataka, Tamil Nadu and Andhra Pradesh in the south.

- The major **sugar producing states** are **Maharashtra, Uttar Pradesh and Karnataka in India.**
- **Uttar Pradesh is the highest sugarcane producing State in the sub-tropical zone.**
- South India has tropical climate which is suitable for higher sucrose content giving higher yield per unit area as compared to north India.
- Khatauli's Triveni Sugar Mill is the largest in Asia in terms of scale of production and storage capacity.

Issues with the Sugarcane Industry

- Sugarcane has to compete with several other food and cash crops like cotton, oil seeds, rice, etc. This affects the supply of sugarcane to the mills and the production of sugar also varies from year to year causing fluctuations in prices leading to losses in times of excess production due to low prices.
- India's yield per hectare is extremely low as compared to some of the major sugarcane producing countries of the world. For example, India's yield is only 64.5 tonnes/hectare as compared to 90 tonnes in Java and 121 tonnes in Hawaii.
- Sugar production is a seasonal industry with a short crushing season varying normally from 4 to 7 months in a year. It causes financial loss and seasonal employment for workers and lack of full utilization of sugar mills.
- The average rate of recovery of sugar from sugarcane in India is less than ten per cent which is quite low as compared to other major sugar producing countries.
- High cost of sugarcane, inefficient technology, uneconomic process of production and heavy excise duty result in high cost of manufacturing.

-Source: [Indian Express](#)