

Sugar Pricing Policy and Fair and Remunerative Price (FRP)

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The Central government has hiked the minimum price setting the Fair and Remunerative Price (FRP) that sugar mills must pay to cane farmers.



[Ref: Food Business News]

- The hike is of ₹5 a quintal set FRP at ₹290 a quintal for the 2021-22 sugar season, which runs from October to September.
- The ₹290 a quintal national FRP will **apply for a recovery rate of 10%**.
- The Centre had **hiked FRPs by 38%** since the ₹210 a quintal rate of 2013-14.

Sugar Pricing Policy:

- 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 for 2009-10** and subsequent sugar seasons.
- 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)** in consultation with the State Governments and after taking feedback from **associations of sugar industry**.
- Price of sugar are market driven & depends on demand and supply of sugar.
- Under the **FRP system**, the farmers are **not required to wait till the end of the season or for any announcement** of the profits by sugar mills or the Government.
- The new system also **assures margins on account of profit and risk to farmers**, irrespective of the fact whether sugar mills generate profit or not and is not dependent on the performance of any individual sugar mill.

Fair and Remunerative Price (FRP)

- FRP is **approved by Cabinet Committee on Economic Affairs** based on recommendations of **Commission for Agricultural Costs and Prices (CACP)**.
- It is the minimum price at which rate sugarcane is to be purchased by sugar mills from farmers.
- Determined under **Sugarcane (Control) Order, 1966**.
- It is uniformly applicable all over the country.
- States also announce a price called the **State Advisory Price (SAP)**, which is usually higher than the FRP.

Factors for determining FRP:

- Cost of production of sugarcane.
- Return to the grower from alternative crops and the general trend of prices of agricultural commodities.
- Availability of sugar to the **consumers at a fair price**.
- Price of sugar.
- Recovery rate of sugar from sugarcane.
- Realization made from the **sale of by-products viz. molasses, bagasse and press mud or their imputed value**.
- Reasonable margins for growers of sugarcane on account of **risk and profits**.

State Advised Prices (SAP)

- Citing differences in cost of production, productivity levels and also as a result of pressure from farmers' groups, some states declare state specific sugarcane prices called **State Advised Prices (SAP)**.
- SAP is usually higher than the SMP/FRP.
- Since early 1970s, SAP came into existence in States like UP, Tamil Nadu, Punjab, Haryana etc.
- High SAPs without any linkage with the output price is unviable.
- Higher SAP than FRP led to year-on-year rise in cane price arrears.
 - Industry association recommends **to remove the system of SAP**; in case states announce SAP, such price differential should be borne by the state governments.

Recommendations of Various Committees on Sugarcane Price Policy:

Tuteja Committee (2004)

- Payment of SMP along with price sharing benefits as per Clause 5A to continue

Thorat Committee (2009)

- Government should withdraw from fixing price of sugarcane
- Mills and farmers should settle prices and terms of raw material supply

Nanda kumar Committee (2010)

- Recommends for a fixed % of sugar, bagasse & Molasses realisation
- Guarantees share to farmers of hike in sugar prices in off-season
- Ensures a fair return/ savings to sugar mills too

Dr. C. Rangarajan Committee (2012)

- Linkage of sugarcane price with realisation of sugar and its first level of by-products
- A minimum price fixed for sugarcane (FRP)
- The actual payment for cane dues would happen in two steps. The first would be payment of FRP at floor price as per extant mechanism
- Balance payment of cane dues will be done subsequent to publication of half-yearly ex-mill prices and values of the by-products

