Fair and Remunerative Price

Why in news?

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The Centre's decided to increase the Fair and Remunerative Price (FRP) for sugarcane by 11% in the Fair and Remunerative Price (FRP) for sugarcane for the upcoming sugar season.

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What is FRP?

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- FRP is the minimum price that the sugar mills have to pay to farmers.
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- It is supposed to signal to farmers the need to plant more or less cane for the coming year.
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What is the necessity to increase FRP?

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- The country's sugar output dropped to a seven-year low of 203 lakh tonnes (2016-17).
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- So the domestic availability of sugar is expected to be low this year.
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- It is this scenario the decision to hike the FRP appears to be an attempt to incentivise farmers to plant more cane for the upcoming season.
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What are the shortcomings of FRP?

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- Successive governments have been prompt to hike the FRP in deficit years.
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- But they have subsequently shied away from slashing it in surplus years.
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- e.g Between 2010-11 and 2017-18, despite excess production in most years, the FRP for cane has nearly doubled from Rs 130/quintal to Rs 255/quintal.
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- Contrarily, they have been reluctant to allow higher cane prices to reflect in the end-product.
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- Sugar prices in the same period have barely risen 30%, leading to a loss-making industry and unpaid cane dues.
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What should be done?

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- To resolve this issue, the Centre should implement long-overdue reforms and allow cane prices to be decided by a market-based formula that shares revenue between millers and farmers in a pre-decided proportion.
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- This should be accompanied by dismantling reservations that force farmers to sell their output to a single mill.
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- Allowing cane prices to respond to market forces is also critical to ensure that alternative food crops get equal priority when farmers make their sowing decisions.
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Source: Business Line

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