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Hike in FRP for Sugarcane

Why in news?

Recently the Centre announced a hike in the Fair and Remunerative Price (FRP) of sugarcane to Rs 340 per quintal for Sugar Season 2024-25 (October-September) from the existing Rs 315 per quintal.

What is Fair and Remunerative Price (FRP)?

- FRP is the price declared by the government, which mills are legally bound to pay to farmers for the cane procured from them.
- **Regulation**- It is governed The Sugarcane Control order, 1966 which mandates payment within 14 days of the date of delivery of the cane.
- **Agreement-** Mills have the option of signing an agreement with farmers, which would allow them to pay the FRP in installments.
- **Delays in payment-** It can attract an interest up to 15% per annum, and the sugar commissioner can recover unpaid FRP as dues in revenue recovery by attaching properties of the mills.
- **Sugar recovery**-The FRP is based on the recovery of sugar from the cane, it is the ratio between sugar produced versus cane crushed expressed as a percentage.
- The higher the recovery, the higher is the FRP, and higher is the sugar produced.
- **CACP-** 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.

Key aspects	Fair and Remunerative Price	Minimum Selling Price
About	It is the minimum price that *sugar mills have to pay to farmers* for sugarcane.	It is the minimum price at which *sugar mills can sell* sugar to the market.
Origin	With the amendment of the ***Sugarcane (Control) Order, 1966*** in 2009 the concept of Statutory Minimum Price (SMP) of sugarcane was replaced with FRP of sugarcane.	It was introduced by the Centre under the ***Sugar Price (Control) Order, 2018.***
Need	It provides a guaranteed minimum price to sugarcane farmers, offering them income security.	It is introduced to ensure that the industry gets at least the minimum cost of production of sugar.

Factors considered	• Cost of production of sugarcane, • Recovery of sugar from sugarcane, • Price at which sugar is sold, • Profit from sale of sugar by-products like molasses, bagasse and press mud, • Margin for sugarcane growers, • Return to sugarcane growers from alternative crops.	It is determined by taking FRP and adding minimum conversion cost incurred by sugar mills running at highest efficiency
MSP for sugarcane	• Sugarcane has a *very short shelf life*, the responsibility of procurement of cane is on the sugar mills that are mandatorily expected to pay the FRP on purchase upfront. • Minimum Selling Price for the sugarcane would help mills *generate enough revenue* to pay their farmers the FRP.	• It is announced to arrest the constant slide of sugar and to keep the demand and supply ratio to a safe limit. • The Centre had also fixed mill-wise sales quota. • Penalty- If the mills breached either of the conditions were liable for action under the ***Essential Commodities Act, 1955***.

What are the challenges with the hike in FRP?

- **Mismatch**- The Centre has repeatedly hiked FRP from Rs 255/quintal of sugarcane in 2017-18 to Rs 340/quintal, it has not changed MSP from Rs 3100/quintal of sugar fixed in 2018-19.
- **Outstanding dues**- The mills claim that the MSP being stagnant despite food inflation has exposed the industry to ‘cash losses’, raising challenges to pay FRP to farmers.
- **Delhi chalo protest**- The farmers have been protesting for high FRP, clearance of dues from sugar mills and revision of MSP which has been stagnant since 2018-19.
- **Burden on States**- State governments, facing pressure from farmers seeking higher prices, have sometimes fixed procurement prices (State Advised Price) above the FRP fixed by the central government.

Punjab, Haryana, Uttar Pradesh and Uttarakhand announces SAP which is normally higher than FRP.

- This places a financial burden on state-owned or private sugar mills, as they are obligated to pay higher prices for sugarcane, while the Minimum Support Price (MSP) for domestic sugar consumers is kept at a lower rate.

Judiciary’s viewpoint on SAP

• **Supreme Court**- The Constitutional Bench in 2020 affirmed the power of both central and state governments to fix sugarcane prices.
• The court ruled that as long as the State Advised Price (SAP) is higher than the minimum price fixed by the Centre, it is valid. If lower, the Centre's price prevails.
• **Madras High Court**- In 2023 the court supported the notion that the FRP fixed by the Centre might not reflect the fair market price.
• It suggested that small and marginal farmers could survive only if state governments mandated a much higher 'advised price'.

References

1. Indian Express- FRP and MSP difference
2. The Hindu- Hike in FRP