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Issues with Sugarcane FRP

What is the issue?

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- In recent times sugarcane farmers are raising various demands to the sugar mills.
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- The demands by the farmers will only add to a never-ending cycle of sugarcane arrears and problems.
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What are the demands of sugarcane farmers?

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- Farmers in south Maharashtra have demanded more money for this season's crop, beyond the fixed remunerative prices (FRPs).
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- Farmers associations in this region has also announced that it will not let the mills operate until they agree to pay `200 per ton over and above the FRP of sugarcane.
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- Irrespective of whether the deadlock gets resolved, this becomes another instance of sugar farmers demanding a further increase in the FRP promised to them and fixed by respective state governments.
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- Some sugar mills in south Maharashtra have decided not to begin sugarcane crushing as farmers have demanded
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What is FRP?

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- The Fair and Remunerative Pricing is used in sugarcane industry to replace the MSP, it is based on the Rangarajan Committee report of reorganizing the sugarcane industry.
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- The committee found that in the production of sugar 70% of the input cost is sugarcane.
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- In FRP the farmer is paid 70% of the total turnover of the company if only the sugar turnover is considered and 75% of the total turnover if other products like bagasse and molasses etc are also considered.
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- This FRP method is useful in times when the sugar prices are high but the FRP method ask the sugar companies to pay the farmer the MSP for sugar when the sugar and hence sugarcane price is low.
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What are the concerns behind FRPs?

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- 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.
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- The FRPs are not market-based and are priced at artificially inflated levels by governments.
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- This, in turn, puts pressure on the sugar mills who have to purchase the crop from the farmers at these inflated FRPs.
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- 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.
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What lies ahead?

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- India’s government-mandated cane prices are already 70-80% higher than those of Brazil, the world’s largest supplier—while this means India cannot export sugar, nothing has been done to signal to farmers that they need to move away from sugarcane production (as portrayed by them continuously increasing the FRPs).
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- Further, this demand by specific farmers for the extra payment of 200 over and above the FRP will also burden the mills even more.
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- In Maharashtra, sugarcane is grown on 4% of the land but uses two-thirds of the water.
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- What is needed is an efficient crop growth pattern, one that ties the crop to be grown with the amount of water it requires in an area whose water resources can sustainably support such water usage.
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- Only such a policy will result in the mills and farmers emerging happy out of this endless cycle of price and arrear increases.
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Source: Financial Express

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